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PRICE PROGRAMS

of the

UNITED STATES DEPARTMENT OF AGRICULTURE 1949

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UNITED STATES DEPARTMENT OF AGRICULTURE

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PRICE PROGRAMS
of the
UNITED STATES DEPARTMENT OF AGRICULTURE,
1949

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INTRODUCTION

This publication was begun in response to a demand for a simple explanation of the price-support program. But as the work of bringing the material together progressed, it was apparent that the price-support program could not be explained briefly, and, at the same time, adequately. Once it was decided to discuss the price-support program rather fully, it was a short step to decide to explore other action programs being carried on by the United States Department of Agriculture in the field of prices. These are: Section 32, the national school lunch, marketing agreement and order, and sugar programs.

With the scope of the publication outlined tentatively, a search was started for a common term that would fit all the programs. "Price-support programs" obviously wouldn't do; "price-support" already was being used to identify a single program. "Price-stabilization programs" was better, but the word "stabilization" gave the impression that the programs are operated in such a way as to prevent prices from moving either up or down, which is not the case. A decision was made, finally, to call all the programs "price programs"—a term not too descriptive but accurate as far as it goes.

Another question that had to be decided was: What period of time will the publication cover? Preparation of material was well under way late in 1948, when wartime price-support legislation was still in effect. But the Eightieth Congress already had approved legislation that would change the programs in some minor respects in 1949 and in some major ways in 1950. It was not deemed practicable to cover provisions of the price-support program for three separate years—1948, 1949, and 1950. It seemed best to place the major emphasis on price programs as they probably will be administered in 1949.

After the actual writing was under way, the original outline was expanded. The tendency of many persons to refer to all price programs as "subsidy programs" made it necessary to include a section on consumer subsidy programs—even though the last program of that type became inactive on October 31, 1947.

Procurement of food and other agricultural commodities for foreign relief use does not constitute a price program of the Department. But

the purchasing of some commodities in large quantities, such as wheat and flour, affects prices to some extent and made a discussion of the supply program desirable.

It was felt that a section on parity was needed, because most price-support operations are carried on with reference to specific percentages of parity, and because parity, in a broader sense, is a yardstick for measuring the relative prosperity (or lack of prosperity) of farmers.

Could the Commodity Credit Corporation and the Production and Marketing Administration be mentioned throughout a publication with nothing said about their over-all responsibilities and organization? Two more sections were added.

After everything else had been completed and checked, it was apparent that the reader might become lost in details without some sort of summary. The section, "Price Programs in Perspective," although it introduces undesirable repetition, may bring the programs into sharper focus.

It is hoped, if this publication proves useful, to revise it periodically—perhaps at the end of each year——to reflect major legislative and administrative changes in the programs.

PRICE PROGRAMS IN PERSPECTIVE

The United States Department of Agriculture carries on a number of programs tending to prevent drastic declines in prices received by farmers for agricultural commodities. These programs, referred to in this publication as "price programs," include the price-support program, section 32 programs, the national school lunch program, marketing agreement and order programs, and the sugar program. Consumer subsidy programs, carried on during the war and for some time after the war principally to help the Office of Price Administration maintain established price ceilings, fall into the category of price programs—but no consumer subsidy operations have been carried on since October 31, 1947. The supply program, under which agricultural commodities are purchased for foreign relief and other purposes, affects prices to some extent but is not considered a price program.

THE PRICE-SUPPORT PROGRAM IN 1949

The Department of Agriculture is required by the Agricultural Act of 1948 to support prices in 1949 of 6 "basic" commodities, 12 "Steagall" commodities, and wool. The Department also may support prices of other commodities if funds are available.

The **basic commodities** are corn, wheat, cotton, tobacco, rice, and peanuts.

Prices of 1948-crop basic commodities must be supported at 90 percent of the parity price (in the case of cotton, 92½ percent: of fire-cured tobacco, 75 percent of the burley tobacco loan rate; and of dark air-cured tobacco, 66⅔ percent of the burley tobacco loan rate).

Marketing quotas are in effect for 1948-crop tobacco and to obtain the full loan rate, tobacco producers must not have exceeded acreage allotments established under the marketing quotas.

Prices of 1949-crop basic commodities must be supported at 90 percent of the parity price. (In the case of fire-cured tobacco, 75

percent of the burley tobacco loan rate, and in the case of dark air-cured tobacco, 66⅔ percent of the burley tobacco loan rate.)

Marketing quotas will be in effect for 1949 crops of tobacco and peanuts. To obtain the full support rate, producers of peanuts and tobacco must not exceed acreage allotments established under the marketing quotas.

The **Steagall commodities** are hogs, chickens of 3½ pounds and over live weight, eggs, milk and its products (under the original Steagall amendment, milk and butterfat), potatoes, turkeys, edible dry beans of certain varieties, edible dry peas of certain varieties, soybeans for oil, flaxseed for oil, American Egyptian cotton, and sweetpotatoes.

Prices of hogs, chickens of 3½ pounds and over live weight, eggs, and milk and its products must be supported at 90 percent of the parity or comparable price.

Prices of 1948-crop potatoes must be supported at 90 percent of the parity price, whereas 1949-crop potatoes must be supported until January 1, 1950, at not less than 60 percent of the parity price nor more than the 1948 level of support.

Prices of turkeys, dry edible beans of certain varieties, dry edible peas of certain varieties, soybeans for oil, flaxseed for oil, American Egyptian cotton, and sweetpotatoes must be supported until January 1, 1950, at not less than 60 percent of the parity or comparable price nor higher than the level at which prices of the commodity were supported in 1948.

Price support for **other commodities** may be carried on in 1949 so as to bring the price and income of the producer of such agricultural commodities to a fair parity relationship with the basic commodities, Steagall commodities, and wool. "Other" commodities for which support operations were being carried on in December 1948, included dried fruit, winter cover crop seed, range grass seed, alfalfa seed, grain sorghums, oats, barley, rye, and naval stores.

In carrying out price-support operations for Steagall and "other" commodities, the Secretary of Agriculture has authority to require compliance with production goals and marketing regulations as a condition to eligibility of producers for price support.

Prices of **wool** must be supported throughout 1949 at the 1946 level of support—an average price to farmers of 42.3 cents per pound for shorn wool, grease basis.

SECTION 32 PROGRAMS

Section 32 (of Public Law No. 320, 74th Cong.) provides that an amount equal to 30 percent of the gross receipts from customs duties each calendar year shall be made available to the Secretary of Agriculture during each succeeding fiscal year to encourage the exportation or domestic consumption or utilization of American agricultural commodities.

To encourage exports, section 32 funds have been used to make direct payments to exporters, thus making it possible for them to purchase American agricultural commodities and sell them at lower prices in foreign markets. The Foreign Assistance Act of 1948, furthermore, authorizes the use of section 32 funds to make payments, not exceeding 50 percent of the export sales price, to exporters

or to Government agencies exporting surplus agricultural commodities to occupied areas and to countries participating in the European Recovery Program. Section 32 export programs were carried on during the fiscal year 1948 for cotton, tobacco, dried fruit, and dried eggs.

To increase domestic consumption, section 32 funds are used to buy surplus agricultural commodities—generally perishable commodities, such as fruits and vegetables. Foods thus acquired are turned over to school lunch programs, charitable institutions serving needy persons, or to persons certified by welfare agencies as eligible for relief. During the fiscal year 1948, section 32 purchases included dried eggs; dried apricots; canned, fresh, and dried apples; canned applesauce; dried figs; canned orange juice; canned grapefruit juice; dried peaches; fresh pears; canned plums; dried prunes; dried raisins; honey; filberts; walnuts; snap beans; beets; cabbage; potatoes; and sweetpotatoes.

Also to increase consumption or utilization, section 32 funds are used to divert agricultural commodities, in the language of the law, "from the normal channels of trade and commerce." How commodities are diverted is illustrated by the three types of programs effective during the fiscal year 1948. Under one program, payments were made to manufacturers to encourage the fabrication of insulating materials from cotton. A program was carried on to divert certain varieties of surplus fresh pears from normal markets in the East and Far West to new markets in the Middle West and South, where pear consumption is below the national average. Surplus potatoes were turned over at nominal prices to farmers for use as livestock feed and to processors for manufacture of industrial products.

Section 32 expenditures to encourage exportation and to increase consumption or utilization totaled $75,658,000 during the fiscal year 1948, as compared with expenditures of $72,034,000 during the fiscal year 1947.

THE NATIONAL SCHOOL LUNCH PROGRAM

The national school lunch program was established by Congress to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of agricultural commodities.

Schools may participate in this program by meeting certain standards, such as complying with minimum nutritional requirements established by the Department of Agriculture; operating the programs on a nonprofit basis; and agreeing to utilize as far as practicable commodities designated by the Department of Agriculture as being in national or local abundance. Participating schools receive Federal funds to assist them in carrying on their programs and, in addition, they receive foods purchased under authority of the National School Lunch Act, as well as foods acquired under section 32 operations. (Schools carrying on nonprofit lunch programs, but not participating in the national school lunch program, are eligible to receive commodities acquired under section 32 operations.)

Federal funds spent under the national school lunch program totaled $70,000,000 during the fiscal year 1948. In addition, section 32 foods costing $20,000,000 were used in all school lunch programs.

Approximately 44,500 schools throughout the United States and its Territories served lunches under the program during the fiscal year 1948. More than 6 million children benefited from the lunches during the peak month, December 1947.

MARKETING AGREEMENT AND ORDER PROGRAMS

Marketing agreement and order programs authorized by the Agricultural Marketing Agreement Act of 1937, have as their objective the establishment and maintenance of orderly marketing conditions for certain commodities and their products.

Milk order programs establish minimum prices that handlers or distributors are required to pay producers. For commodities other than milk—principally tree fruits, tree nuts, and vegetables—marketing agreement and order programs govern the quantity, quality, and rate of shipment from the producing area to all markets but not the price. This control, however, tends to strengthen prices of the commodities under regulation.

In March 1949, 30 milk-marketing orders were effective, while 21 marketing agreement and order programs were effective for tree fruits, tree nuts, and vegetables.

THE SUGAR PROGRAM

Under the sugar program, authorized by the Sugar Act of 1948, the United States Department of Agriculture determines United States sugar-consumption requirements and administers quotas to regulate imports of sugar produced in foreign areas and marketings of sugar produced in domestic areas. The Department also makes payments to domestic producers of sugar beets and sugarcane provided they comply with certain labor, wage, price, and marketing requirements prescribed by law.

Operations under the sugar program, among other things, are aimed at providing domestic consumers with adequate supplies of sugar at reasonable prices, and at assuring domestic producers of sugar beets and sugarcane fair returns for their crops.

At the end of each calendar year, the Department determines sugar-consumption requirements of the continental United States for the next year. Requirements for 1949 are estimated at 7,250,000 short tons, raw value. This determination is subject to change as requirements change.

Basic quotas for the five domestic producing areas—domestic beet, mainland cane, Hawaii, Puerto Rico, and the Virgin Islands—total 4,268,000 tons, and for the Philippines, 982,000 tons. Additional imports to meet requirements are apportioned on the basis of 98.64 percent to Cuba and 1.36 percent to a group of other foreign countries.

Domestic producers of sugar beets received conditional payments averaging about $2.50 per ton of beets. For producers of sugarcane the payments within the various domestic producing areas range from about 80 cents to $1.50 per ton of cane. The Government, in turn, imposes a special tax of 50 cents per hundredweight of sugar, raw value, on all sugar from sugar beets or sugarcane either produced in or brought into the continental United States.

Primary conditions for receiving payments include: Penalties for employing child labor: paying fair and reasonable wage rates; payment by producer-processors of fair and reasonable prices for beets and cane purchased from other producers; and the marketing of beets or cane within farm allotments whenever such allotments are in effect.

THE PRICE-SUPPORT PROGRAM IN 1949

Price-support operations carried on by the Department of Agriculture, through the Commodity Credit Corporation (CCC) and the Production and Marketing Administration (PMA), establish price minimums or floors for a number of important agricultural commodities. For 6 basic commodities, 12 Steagall commodities, and wool, price support is mandatory under Federal law. For a number of other commodities, price support is permissive if funds are available.

Wartime legislation, under which prices were supported during 1947 and 1948, expired December 31, 1948, with respect to Steagall commodities, and will expire with 1948 crops of the basic commodities. However, the Agricultural Act of 1948 extended wartime price-support legislation, with certain modifications, through the calendar year 1949 with respect to Steagall commodities, and to June 30, 1950, with respect to basic commodities.

BASIC COMMODITIES

The six basic commodities are corn, wheat, cotton, tobacco, rice, and peanuts.

Price support on 1948-crop corn, wheat, rice, peanuts, and tobacco is mandatory to cooperators at 90 percent of the parity price. (For fire-cured tobacco, support is mandatory at 75 percent of the burley tobacco loan rate and for dark air-cured tobacco at 66⅔ percent of the burley tobacco loan rate.) Price support on 1948-crop cotton is mandatory to cooperators at 92½ percent of the parity price.

Cooperators are producers who do not exceed their farm-acreage allotments. Farm-acreage allotments are in effect for 1948-crop burley, flue-cured, fire-cured, and dark air-cured tobaccos in connection with marketing quotas approved by growers. Cooperators, of course, receive the full support rate. Noncooperators receive only 60 percent of the applicable loan rate and then on only so much of the tobacco as would be subject to penalty if marketed.

Price support on 1949-crop basic commodities marketed before June 30, 1950, is mandatory to cooperators at 90 percent of the parity price. (For fire-cured tobacco, support is mandatory at 75 percent of the burley tobacco loan rate and for dark air-cured tobacco at 66⅔ percent of the burley tobacco loan rate.)

Acreage allotments will be in effect for 1949-crop peanuts and for 1949-crop burley, flue-cured, fire-cured, and dark air-cured tobaccos in connection with marketing quotas approved by producers. Cooperators will receive the full support rate. Noncooperators will receive only 60 percent of the applicable loan rate and then on only so much of the commodity as would be subject to penalty if marketed.

The following is a brief description of price-support procedures for 1948–crop basic commodities:

Corn: National average support price, through loans and purchase agreements: $1.44 per bushel—based on 90 percent of the October 1, 1948, parity price. Availability: From harvest through June 30, 1949. (There will be no acreage allotments or marketing quotas for the 1949 crop.)

Wheat: National average support price, through loans and purchase agreements: $2 per bushel—based on 90 percent of the parity price as of July 1, 1948. Availability: From harvest through December 31, 1948.

Cotton (upland): National average support price, through loans: 28.79 cents per pound for ⅞-inch Middling and 30.74 cents for $^{15}/_{16}$-inch Middling—based on 92½ percent of the July 15, 1948, parity price. Availability: From harvest through April 30, 1949. (There will be no acreage allotments or marketing quotas for the 1949 crop.)

Tobacco: Support prices, through loans: Burley, 42.4 cents per pound; flue-cured, 43.9 cents; fire-cured, 31.8 cents; dark air-cured, 28.3 cents; and Maryland, 43.9 cents. The loan rates for burley and Maryland are based on 90 percent of the parity price as of September 15, 1948—and the rates for fire-cured and dark air-cured are based on 75 percent and 66⅔ percent, respectively, of the burley rate. The rate for flue-cured is based on 90 percent of the June 15, 1948, parity price. Availability: Throughout the marketing season for each type. (Marketing quotas are in effect for 1948-crop tobacco and will be in effect for the 1949 crop.)

Rice (rough): National average support price, through loans and purchase agreements: $4.08 per hundredweight or $1.84 per bushel—based on 90 percent of the August 1, 1948, parity price. Availability: From harvest through January 31, 1949. (There will be no acreage allotments or marketing quotas for the marketing year beginning August 1, 1949.)

Peanuts: Support prices for base-grade peanuts: Farmers' stock peanuts, by types: Spanish and Valencias, $215 per ton east of the Mississippi River and $210 per ton west of the Mississippi; Virginias, $207 per ton and Runners, $195. Availability (to producers): August 1, 1948, through June 30, 1949.

Methods of support: (1) Purchases of farmers' stock peanuts from producers, through cooperatives; (2) purchases of No. 2 shelled peanuts from dealers who have paid producers the support price for farmers' stock peanuts; and (3) purchases of farmers' stock peanuts from dealers who have paid producers the support price for farmers' stock peanuts. Loans are available to producers on warehouse-stored peanuts, but, in actual practice, support is achieved through the methods listed above.

(Marketing quotas will be in effect for 1949-crop farmers' stock peanuts.)

STEAGALL COMMODITIES

The 12 Steagall commodities, and the 1949 levels of support required by the Agricultural Act of 1948, are:

Hogs, chickens of 3½ pounds and over live weight, eggs, and milk and its products—90 percent of the parity price.

Potatoes *harvested in 1948*—90 percent of the parity price.

Potatoes *harvested in 1949*—not less than 60 percent of the parity price nor more than the 1948 level of support.

Edible dry beans of certain varieties, edible dry peas of certain varieties, turkeys, soybeans for oil, flaxseed for oil, American Egyptian cotton, and sweetpotatoes—not less than 60 percent of the parity or comparable price nor more than the 1948 level of support.

In the case of all Steagall commodities, the Secretary of Agriculture may require compliance with production goals and marketing regulations as a condition to eligibility of producers for price support in 1949.

The following describes price-support procedures announced or carried on in 1948 or being carried on in 1949 for Steagall commodities:

Hogs: Support price for the period October 1, 1948–March 31, 1949: An annual average of $17.02 per hundredweight, adjusted seasonally by weeks, for Good and Choice barrow and gilt butcher hogs, Chicago basis. This support level is based on 90 percent of the September 15, 1948, parity price.

Support prices to be announced for the April 1–September 30, 1949, and October 1, 1949–March 31, 1950, periods will be based, respectively, on 90 percent of the March 15 and September 15, 1949, parity prices.

As of March 1, 1949, no active price-support operations had been undertaken for hogs.

Eggs: Support price: The objective is to support prices at a level which will provide producers an average return for all eggs sold of 90 percent of parity on a national annual basis. Dried eggs have been purchased from processors who paid an average of 35 cents per dozen for shell eggs used. Availability: As necessary during 1949.

Butterfat: Support prices in 1949, through purchases of butter in carlots: 59 cents per pound for U. S. Grade A delivered before September 1 and 62 cents for the same quality delivered on or after September 1. Prices for U. S. Grade B are 2 cents lower. The program is designed to assure farmers a national average butterfat price of 90 percent of parity during 1949. Availability: Through December 31, 1949.

Potatoes harvested in 1948: Support prices, through purchases: Vary by States and months from $2.15 to $3.50 per 100 pounds for grade U. S. No. 1 and 50 percent of support prices applicable to grade U. S. No. 1 for U. S. No. 1, size B, or for U. S. No. 2, 1⅞-inch diameter. Late-crop support prices are based on 90 percent of the June 15, 1948, parity price. Availability: From harvest through April 30, 1949, or such later date as may be necessary for any State or area.

Financing loans were available to eligible producers of late-crop potatoes during the period September 15–December 15, 1948, at rates ranging from $1.25 to $1.75 per 100 pounds for Grade U. S. No. 1 and from 40 cents to 65 cents per 100 pounds for U. S. No. 1, size B, and U. S. No. 2, 1⅞-inch diameter.

Potatoes harvested in 1949: Support prices, through purchases: Average $1.80 per 100 pounds for all potatoes which qualify as U. S. No. 2 grade, 1⅞-inch minimum diameter or better. Support prices, which vary by States and months, are based on 60 percent of the December 15, 1948, parity price. Availability: From harvest through

April 30, 1950, or such later date as may be necessary for any State or area.

Financing loans will be available on storable potatoes on an optional basis as a means of supplementing support operations.

Dry edible beans (1948 crop): Support prices, through loans and purchase agreements: $7.70 to $9.95 per 100 pounds, depending upon class, variety, or location—based on 90 percent of the September 1, 1948, parity price. Availability: From harvest through February 28, 1949.

Dry edible peas (1948 crop): Support prices, through loans and purchase agreements: $4.80 per 100 pounds (Colorado Whites $4.55)—based on 90 percent of the comparable price as of August 15, 1948. Availability: From harvest through December 31, 1948.

Soybeans for oil (1948 crop): National average support price, through loans and purchase agreements: $2.18 per bushel for green and yellow and $1.98 per bushel for black, brown, and mixed varieties—based on 90 percent of the comparable price as of September 1, 1948. Availability: From harvest through December 31, 1948.

Flaxseed for oil (1948 crop): Support price: $6 per bushel, Minneapolis basis—which is about 135 percent of the June 15, 1948, parity price. Method of support: Loans and purchase agreements to producers and purchases of flaxseed and linseed oil from processors under contract with CCC. Availability: (Loans and purchase agreements): Through October 31, 1948, in Arizona, California, and Texas; through December 31, 1948, in all other States; (purchases from producers): April 30, 1949.

Flaxseed for oil (1949 crop): Support price, through loans, purchase agreements, and purchases only from producers in 32 Texas counties, at 90 percent of the farm parity price as of April 1, 1949. Availability: (Loans and purchase agreements): Through October 31, 1949, in Arizona, California, and the Texas counties not designated as "purchase" counties; through January 31, 1950, in all other States; (purchases): from harvest through July 31, 1949.

American Egyptian cotton (1948 crop): Support price, through loans: 58.37 cents per pound—based on 90 percent of the July 15, 1948, parity price. Availability: From harvest through April 30, 1949.

American Egyptian cotton (1949 crop): Support price, through loans, at 90 percent of the July 15, 1949, parity price. Availability: From harvest through April 30, 1950.

Sweetpotatoes (1948 crop): Support prices, through purchases: Vary, by periods, varieties, and grades from $1.30 to $2.40 per bushel—based on 90 percent of the June 15, 1948, parity price. Availability: September 1, 1948, through April 30, 1949.

Chickens and turkeys: As of March 1, 1949, no active price-support operations had been undertaken for chickens or turkeys.

WOOL

Public Law 360, Eightieth Congress, provided that prices of wool should be supported in 1948 at the same level that prices of wool were supported in 1946. The Agricultural Act of 1948, Title I, extended the 1946 level of support through June 30, 1950.

High lights of the program in 1949 are as follows:

Support price, through purchases: 42.3 cents per pound for shorn wool, grease basis—designed to furnish wool growers an average

return equal to the return for 1946. Availability: Through December 31, 1949.

OTHER COMMODITIES

The Agricultural Act of 1948 declares it to be the policy of Congress that the lending and purchase operations of the Department of Agriculture shall be carried out until January 1, 1950, so as to bring the price and income of the producers of other agricultural commodities to a fair parity relationship with the basic commodities, Steagall commodities, and wool to the extent that funds are available.

The act authorizes the Secretary of Agriculture, in carrying out price-support operations for other commodities, to require compliance with production goals and marketing regulations as a condition to eligibility of producers for price support.

The following describes price-support procedures carried on in 1948 or being carried on in 1949 for "other" commodities:

Dried fruit: Support prices, through purchases: Under operations announced for the 1948–49 marketing season, processors are required to pay producers not less than \$125 to \$165 per ton for specified quantities of raisins, depending upon variety, and a basic price of \$140 per ton for specified quantities of dried prunes. Availability: August 23, 1948, through June 30, 1949.

Winter cover crop seed (1948 crop): Basic support prices, through purchase agreements: Hairy vetch, 12 cents per pound; crimson clover, 11½ cents; and Austrian winter peas, 4 cents. Support prices for seed grown east of the Rocky Mountains are 1 cent per pound higher than basic support prices. Availability: From harvest through February 28, 1949.

Winter cover crop seed (1949 crop): Basic support prices, through purchase agreements: 90 percent of the parity or comparable price as of July 1, 1949, or the following prices—whichever are lower: Hairy vetch, 14 cents per pound; common vetch, 6½ cents; Willamette vetch, 6½ cents; crimson clover, 14 cents; blue lupine, 4½ cents; common ryegrass, 6 cents; Austrian winter peas, 4½ cents, and rough peas, 5½ cents. Availability: From harvest through December 31, 1949.

Range grass seed (1948 crop): Support prices, through purchase agreements: Little bluestem, 20 cents per pound; big bluestem, 20 cents; sand bluestem, 25 cents; blue grama, 15 cents; side-oats grama, 20 cents; switchgrass, 20 cents, lovegrass, 50 cents; yellow Indiangrass, 25 cents; and buffalo grass, 35 cents. Availability: From harvest through February 29, 1949.

Barley (1948 crop): Average support price, through loans and purchase agreements: \$1.15 per bushel for barley grading No. 5 or better, except Class III Western barley having a test weight less than 40 pounds per bushel. Support price is equal to 75 percent of the barley parity price as of April 15, 1948, and reflects a fair relative feeding value to corn, pound for pound, at about 90 percent of the April 15, 1948, corn parity price. Availability: From harvest through December 31, 1948.

Grain sorghums (1948 crop): Average support price, through loans and purchase agreements: \$2.31 per 100 pounds, for No. 4 grade or better. The loan and purchase rate of 77 percent of parity as of April 15, 1948, reflects a fair relative feeding value to corn, pound for

pound, at approximately 90 percent of the April 15, 1948, corn parity prices. Availability: From harvest through February 28, 1949.

Oats (1948 crop): Average support price, through loans and purchase agreements: 70 cents per bushel, for No. 3 grade or better. Support price is equivalent to 70 percent of the oats parity price as of April 15, 1948, and reflects a fair relative feeding value to corn, pound for pound, at approximately 90 percent of the April 15, 1948, parity price of corn. Availability: From harvest through December 31, 1948.

Rye (1948 crop): Average support price, through loans and purchase agreements: $1.29 per bushel, for No. 2 grade or better. Support price is equal to 72 percent of the rye parity price as of April 15, 1948, and reflects a fair relative feeding value to corn, pound for pound, at approximately 90 percent of the April 15, 1948, corn parity price. Availability: From harvest through December 31, 1948.

Alfalfa seed (1948 crop): Support prices, through loans and purchase agreements: Northern, 25 cents per pound; central, 20 cents; and southern, 17 cents. Availability: From harvest through December 31, 1948.

Naval stores: Support prices, through loans: Based on $99.89 per production unit of 50 gallons of turpentine and 1,400 pounds of rosin, which, in turn, is based on 70 percent of the March 1, 1949, parity price. Rates on turpentine and rosin may be adjusted from time to time within the unit support level. April 1949 loan levels are 40 cents per gallon for turpentine and $5.71 per 100 pounds for N Grade rosin. Availability: April 1, 1949, through December 31, 1949.

QUESTIONS AND ANSWERS

General

Q. How are producers' prices supported?

A. By loans, direct purchases, and purchase agreements.

Q. How do loans support prices?

A. Price-support loans to producers are "nonrecourse"; that is, producers are not obligated to make good any loss incurred through a decline in the market price of the commodity put up as collateral. For example, the producer who obtains a loan on his wheat at the support price of $2 per bushel is not obligated to pay off his loan at the $2 rate even though the market price of wheat at the time the loan matures is only $1.90. Instead, he delivers the wheat to the CCC and discharges his obligation in full. Thus, through the loan, the producer receives the support price just the same as though the CCC had originally purchased his wheat at $2 per bushel.

Q. Are all CCC loans nonrecourse?

A. Not all. In order to facilitate orderly marketing, financing loans are made to *potato producers* and to *peanut processors.*

Q. Who makes price-support loans?

A. The CCC or lending agencies (such as local banks) approved by the CCC, with the CCC agreeing to take over the loan from the lending agency if requested. Most price-support loans are handled by lending agencies approved by the CCC.

Q. What is the interest rate on price-support loans?

A. A rate of 3 percent a year. If the CCC makes the loan, the CCC gets the full 3 percent. If the loan is made by a lending agency, the

interest is split, 1½ percent to the lending agency and 1½ percent to the CCC.

When a commodity is delivered to satisfy a loan, the producer is not required to pay interest. In such cases, the CCC pays any interest charges that might be due a lending agency.

Q. On what general type of commodities are price-support loans made?

A. Storable commodities, such as cotton, tobacco, and grain. Being nonperishable, they are satisfactory collateral for price-support loans—if properly stored.

Q. How may producers treat CCC loans for income tax purposes?

A. Under Section 123 of the Internal Revenue Code, a producer may elect to treat a CCC loan as income for the year in which the loan is received; but if he exercises this election in any year, he must continue on the same basis in subsequent years unless the Commissioner of Internal Revenue approves a change in treatment. If the producer treats the loan as income for the year received and later redeems and sells the collateral, the sales return—less the amount of the loan—is income for the year in which he sells the collateral.

If the producer elects not to treat the loan as income and redeems and sells the collateral or delivers the collateral to the CCC, the amount of the loan is not income when received. The full amount received from the sale or the amount of the loan is income for the year in which the sale or delivery of collateral takes place.

Q. How do direct purchases support prices?

A. In two major ways: (1) By providing an outlet for the commodity at the support price, and (2) by increasing the general price level of the commodity through the withdrawal of burdensome supplies.

Q. Prices of what general types of commodities are supported through direct purchases?

A. No generalization can be made. Prices of perishable or semiperishable commodities, such as potatoes and sweetpotatoes, are supported through purchases. But prices of some nonperishable commodities, such as wool, also are supported through purchases.

Q. What is a purchase agreement?

A. A purchase agreement is a method developed by the CCC in 1947 to carry out price commitments to producers of several commodities through purchases.

A producer obtains a purchase agreement by paying a small service fee to his county Agricultural Conservation Association (ACA) committee, and, at the same time, specifying the maximum amount of the commodity he might sell to the CCC. The agreement becomes effective when signed by the producer and approved for the CCC by the county committee.

The CCC agrees to purchase at the applicable rate—which is equal to the loan rate or the announced purchase price, as the case might be—any quantity the producer elects to sell, up to and including the maximum quantity covered by the agreement, on the basis of weight, grade, and quality factors set forth by the CCC. For example, a producer may sign a purchase agreement covering 5,000 bushels of corn. He may, if he so elects, sell none to the CCC or he may sell any quantity up to and including 5,000 bushels. But, after specifying that 5,000

bushels is the maximum quantity that he might sell to the CCC, he may not sell more than that quantity to the CCC.

The producer agrees that, within a 30-day period specified by the CCC, he (1) will turn over to the county committee the warehouse receipts representing the quantity of the commodity in storage he elects to sell, or (2), in the case of a commodity held in farm storage, he will notify the county committee of his intention to sell, and, after the date of issuance of delivery instructions, he will make delivery within 15 days, unless more time is granted him by the county committee. If loans as well as purchase agreements are available to producers of a commodity, such as is the case with wheat, the period is the 30 days following the date of the maturity of the loan. If only purchase agreements are available to producers of a commodity, such as is the case with winter cover crop seed, the CCC specifies the 30-day period. In any case, the CCC will not purchase commodities covered by agreements prior to the 30-day period.

A purchase agreement has a distinct advantage over a loan for the producer who is unable to store his commodities in eligible storage or who does not need the proceeds of a loan or who is not willing to encumber his collateral as required under a loan operation. A loan, on the other hand, meets the needs of the producer who desires the proceeds of the loan and who can meet loan requirements.

Both loans and purchase agreements were available to producers of 1948-crop corn, wheat, oats, barley, rye, grain sorghums, rice, dry edible beans, dry edible peas, flaxseed, soybeans, and alfalfa seeds. Only purchase agreements were available to producers of 1948-crop cover crop seed, and range grass seed.

Q. Does the law specify the precise manner in which the CCC must carry on its price-support operations?

A. No. The law leaves the detailed terms and conditions of the operations to be administratively established. These are based on the nature of the commodity to be supported, the marketing structure, and other considerations.

Q. Does the CCC always deal directly with producers in carrying on its price-support operations?

A. No. In the case of eggs, for example, the CCC enters into contracts to purchase dried eggs from processors at a certain price, provided processors pay producers the support price for shell eggs. Producers thus receive the support price directly from processors and only indiectly from the CCC.

Q. Does the CCC consider location in establishing support prices?

A. In the case of many commodities, yes.

For example, 1948-crop corn loan and purchase rates range, by counties, from $1.34 to $1.63 per bushel; loan rates for 1948-crop $^{15}/_{16}$-inch Middling cotton, gross weight, vary from a high of 31.44 cents per pound in the concentrated mill area of the Carolinas to a low of 30.02 cents per pound in Arizona and California; and support prices for 1948-crop peanuts of the Spanish and Valencia types are $215 per ton for those grown east of the Mississippi River, as compared with $210 per ton for the same types grown west of the river. Area differentials established for these and some other commodities reflect historical differences that have prevailed and that are likely

to prevail in price levels as between producing areas, as well as adjustments in the freight rate structure.

On the other hand, location is not considered in the case of tobacco, soybeans, and some other commodities. A study of past price relationships and the existing marketing structure indicates that area differentials are not appropriate.

Q. Does the CCC consider type or variety in establishing support prices?

A. It does in the case of several commodities.

Support prices for 1948-crop sweetpotatoes, for example, vary by period, variety, and grade from $1.75 to $2.40 per bushel. Type is also considered when it comes to peanuts, tobacco, dry edible beans, and a few other commodities.

But type or variety is not considered when it comes to potatoes, corn, barley, and several other crops.

As in the case of area differentials, type or variety differentials are established if type or variety has been or is likely to be a factor making for significant differences in the price at which the commodity is marketed.

Q. Does the CCC make an allowance for normal seasonal differentials in establishing support prices?

A. In the case of potatoes, sweetpotatoes, butterfat, and hogs, yes.

The following tabulation shows, by way of illustration, the allowance the CCC made for normal seasonal differentials in establishing support prices for 1948-crop late potatoes:

Support prices per 100 pounds, 1948-crop late potatoes, U. S. No. 1, sacked and loaded, f. o. b., in carlots or trucklots

Period:	Price per cwt.
1948	Dollars
July	2.15–2.75
August	2.15–2.75
September	2.25–2.85
October	2.35–2.95
November	2.50–3.10
December	2.70–3.30
1949	
January	2.80–3.40
February	2.85–3.45
March–June	2.90–3.50

Q. Does the CCC consider quality in establishing support prices?

A. Yes. Support prices generally reflect differences in quality to the extent practicable. For the 1949-crop of potatoes, however, there will be one support price for all grades.

Q. Does the support price change every time the parity price changes?

A. No. For many commodities support prices are based on parity prices at the beginning of the marketing year. For example, the national average loan and purchase rate for 1948-crop corn is $1.44 per bushel, which is 90 percent of the parity price of corn as of September 15, 1948. The support price for corn will be $1.44 per bushel through June 30, 1949, even though the parity price rises above or falls below the price as of September 15, 1948.

Q. Does the CCC support futures prices?

A. No. The CCC does not buy or sell commodities in futures markets. Price-support operations of the CCC, however, may indirectly affect futures prices by establishing price minimums or floors for cash or spot prices.

Q. What are parity payments?

A. Section 303 of the Agricultural Adjustment Act of 1938 provides that: "If and when appropriations are made therefor, the Secretary (of Agriculture) is authorized and directed to make payments to producers of corn, wheat, cotton, rice, or tobacco, on their normal production of such commodities in amounts which, together with the proceeds thereof, will provide a return to such producers which is as nearly equal to parity price as the funds so made available will permit. All funds available for such payments with respect to these commodities shall, unless otherwise provided by law, be apportioned to these commodities in proportion to the amount by which each fails to reach the parity income. Such payments shall be in addition to and not in substitution for any other payments authorized by law."

Congress has appropriated no funds for parity payments since 1943.

Q. What are acreage allotments?

A. Acreage allotments are a means of adjusting the production of certain commodities. This is accomplished by determining as closely as possible the national acreage required to produce adequate supplies of a commodity, and of apportioning this national acreage among States, counties, and individual farms. Through 1943, acreage allotments were a part of the over-all agricultural conservation program and they are still used, when necessary, as a means of production adjustment, either alone or in connection with marketing quotas for basic crops.

In agricultural conservation programs: Under the Soil Conservation and Domestic Allotment Act, as amended, land uses and farm practices were divided into two general classifications—soil-depleting crops and practices and soil-building crops and practices. Acreage allotments, up to 1944, were used as a device for adjusting the production of soil-depleting crops and encouraging soil-conserving and soil-building practices. This was accomplished as follows:

National acreage allotments were determined individually for the soil-depleting crops cotton, corn, wheat, rice, tobacco, peanuts, and potatoes, and as a group for other soil-depleting crops. These national acreage allotments were apportioned among States, counties, and individual farms.

Compliance with the allotments by individual producers was purely voluntary. If the producer complied with allotments established for his farm, he became a "cooperator" and was entitled to "adjustment payments."

The agricultural conservation program since 1943 has been limited to soil-building and to soil- and water-conservation practices. These include among others, expanding the acreage of soil-conserving crops, such as grasses and legumes; controlling erosion by contour cultivation, terracing, and strip cropping; and conditioning the soil by the application of lime and fertilizer.

In production adjustment programs: The Agricultural Adjustment Act of 1938 authorizes the Secretary of Agriculture to proclaim

acreage allotments on corn, wheat, rice, and cotton in order to encourage adjustments in crop acreages and to keep national supplies, including reserve supplies, more in line with demand. The allotments for these crops are determined in accordance with formulas in the act, which provide for an acreage that, with normal yields, will result in a total supply somewhat in excess of normal supplies. The excess supplies serve as reserves to be drawn upon when yields are adversely affected by unfavorable growing conditions.

As in the case of acreage allotments in agricultural conservation programs, compliance by producers with allotments established for individual farms is voluntary. However, it is generally to the producer's advantage to comply. By complying, he becomes a "cooperator," and, as a cooperator, is eligible for price support at the full rate and for parity payments when Congress appropriates funds for such payments.

Acreage allotments also are an integral part of marketing quota programs. (See the following paragraphs.)

Q. What are marketing quotas?

A. The Secretary of Agriculture is authorized, under the Agricultural Adjustment Act of 1938, to regulate the marketing of basic commodities. This regulation is effected by determining how much of a given commodity should be marketed during a given year and by setting up administrative procedures that will hold marketings within the limits of that quantity. That quantity—usually referred to as the national marketing quota—is broken down into marketing quotas for individual farms. If the acreage allotment is not exceeded, the marketing quota for an individual farm is, generally speaking, the quantity produced. Sales in excess of the farm marketing quota are subject to a penalty of 50 percent of the basic loan rate applicable to cooperators in the case of corn, cotton, wheat, rice, and peanuts, and 40 percent of the preceding season's average price in the case of tobacco.

Marketing quotas must be proclaimed whenever supplies of cotton, corn, wheat, rice, and tobacco reach certain levels. (The Agricultural Adjustment Act of 1938, Subtitle B, specifies what those levels are with respect to crops produced in 1949.) In the case of peanuts, the act provides for the proclamation of marketing quotas every year, regardless of the supply level.

Following the proclamation of a marketing quota, a referendum is held. If at least two-thirds of the producers voting in the referendum favor marketing quotas, the quotas become effective—and apply to all producers of the commodity. If more than a third of the producers voting in the referendum are not in favor of the quotas, no marketing quotas shall be in effect. Marketing quotas may be suspended or terminated by the Secretary of Agriculture, however, if this is warranted by an increase in export demand or by a national emergency.

Price-support levels established for 1949-crop basic commodities will be affected by marketing quotas in three ways:

1. If producers have not disapproved marketing quotas for a basic commodity, the price will be supported at 90 percent of parity.

2. If producers disapprove marketing quotas for a basic commodity, the price will not be supported.

3. If marketing quotas are in effect for a basic commodity, prices to cooperators will be supported at 90 percent of parity, whereas

prices to noncooperators will be supported at only 54 percent of parity, and then on only so much of the commodity as would be subject to penalty, if marketed.

(Marketing quotas will be in effect for 1949 crops of peanuts and burley, flue-cured, fire-cured, and dark air-cured tobaccos.)

Q. Does the Department of Agriculture have permanent authority to carry on price-support operations?

A. Yes. Section 5 (a) of the Commodity Credit Corporation Charter Act, which gives the CCC a permanent Federal charter, provides that the CCC may "support the prices of agricultural commodities through loans, purchases, payments, and other operations."

Other legislation, such as the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Act of 1948, provides the same general authority. But such legislation goes further and specifies some particular commodities that must be supported and the levels—or a range of levels—of support.

Q. What is the CCC's policy in selling commodities acquired under price-support operations?

A. The CCC announced on December 10, 1948, that during the calendar year 1949 domestic sales of CCC-owned or -controlled farm commodities generally will be made at not less than the lowest of the following: (1) A price that will reimburse CCC for its costs; (2) 90 percent of the parity price; or (3) a price halfway between the support price, if any, and parity. Exempted from the three general minimums are: (1) Sales for new or byproduct uses; (2) sales of peanuts for the extraction of oil; (3) sales for feed or seed; (4) sales of deteriorated commodities or nonbasic perishable commodities where there is danger of loss or waste through spoilage; (5) sales to establish claims; (6) sales for export; (7) sales of wool; and (8) sales for other than primary use. In the case of cotton, the CCC must receive a price that will reimburse it for all amounts paid out with respect to cotton, except that cotton may be sold for export at competitive world prices.

Similar exemptions were in effect in 1948.

Q. What is the CCC's profit-and-loss record on price-support operations?

A. In the fiscal year 1947, the CCC sustained a net loss of $42,784,596 on the price-support program, this loss reflecting both loan and purchase operations. In the fiscal year 1948, the loss was $125,382,594, of which $55,768,386 was recoverable from the Secretary of the Treasury under Public Laws 389 and 393, Eightieth Congress, as being properly a charge for foreign aid and rehabilitation. (See table 1.)

Excluding wartime subsidy costs—needed to hold prices under OPA ceilings—the CCC during the period October 17, 1933–June 30, 1948, made a net gain of $135,343,751. This total includes a gain of $79,575,365 on program operations, plus $55,768,386 recovered from the Secretary of the Treasury under Public Laws 389 and 393, Eightieth Congress.

Q. Why are the Steagall commodities so called?

A. The late Henry B. Steagall, Representative from the State of Alabama, introduced in Congress an amendment to the bill which became the act of July 1, 1941. The amendment called for price support at not less than 85 percent of the parity or comparable price—

later changed to 90 percent—on commodities for which the Secretary of Agriculture, by public announcement, had asked for an expansion of production for war purposes. The commodities covered by the amendment became known popularly as Steagall commodities.

The Steagall amendment expired December 31, 1948. But the Agricultural Act of 1948, section 1 (b) provides special treatment for most of the commodities covered by the original Steagall amendment, hence section 1 (b) commodities are still referred to as Steagall commodities.

Grain

Q. How does a producer obtain a loan on grain?

A. The producer makes application with his county committee. The committee, in turn, sends a field inspector to the producer's farm to check up on the quantity stored, to inspect the storage facilities in the light of the CCC's requirements, to take a sample of the grain to be tested for grade by an authorized grader, and to affix a seal to the bin or crib. On the basis of reports from the field inspector and the authorized grader—and assuming that the producer's grain meets all requirements—the committee makes out a note and a chattel mortgage for the signature of the producer. The producer probably will take these documents to a lending agency approved by the CCC, usually a local bank, and obtain his loan, for most grain loans are handled through lending agencies. But, if he wishes, he may obtain a loan direct from the CCC. In both cases the producer is required to pay a service fee based on the number of units of the commodity and interest on the loan at the rate of 3 percent per year.

The loan procedure is much the same in the case of warehouse-stored grain. However, the warehouse receipt issued on warehouse-stored grain eliminates the need for (1) checking by the field inspector, (2) the grading of the grain by the CCC, and (3) filling out a chattel mortgage. The service fee is approximately one-half that charged for farm-storage loans, but the interest rates, as in the case of farm-stored grain, remains at 3 percent per year.

The producer in the case of both farm- and warehouse-stored grain may repay his loan to the lending agency or to the CCC at any time before his note matures and is charged interest only for the period the loan was in effect. Following such payment, the note is returned to the producer and the mortgage is released.

Q. How does the producer deliver grain to the CCC?

A. In the case of farm-stored grain, at least 30 days prior to the maturity of the loan or prior to the date the loan will be called, the county committee asks the producer, by letter, if he intends to repay the loan or deliver the collateral (the grain) in settlement of the loan. If the producer elects to deliver the collateral, the county committee asks the CCC for delivery instructions. The county committee then tells the producer where and when to deliver the grain.

When the producer delivers the grain, the quantity delivered is carefully measured, and grade, class, and quality factors are determined. The determination of the exact quantity and quality of the grain delivered often means the payment of a balance to the producer or to the CCC. Delivery of the grain—and the payment of a balance, if any, one way or the other—discharges the obligation of the producer.

Table 1.—*Price-support programs, Commodity Credit Corporation: Realized gain or loss on price-support operations, by commodity, fiscal years 1947 and 1948*

Commodity	Gain or loss	
	Fiscal year 1947	Fiscal year 1948
	Dollars	*Dollars*
Basic commodities:		
Corn	278, 492. 38	[1] 27, 029. 50
Cotton, upland	46, 536, 524. 67	[1] 344, 914. 11
Peanuts	727, 480. 59	[1] 2, 757, 329. 78
Tobacco	596, 186. 14	59, 799. 49
Wheat	605, 569. 19	[1] 11, 727. 05
Total, basic commodities	48, 744, 252. 97	[1] 3, 081, 200. 95
Steagall commodities:		
Beans, dry edible	155. 16	10. 31
Cotton, American Egyptian	37, 022. 75	6, 577. 43
Eggs, dried and frozen	423, 602. 39	[1] 25, 879, 017. 19
Flaxseed and linseed oil	2, 726. 93	40, 292. 52
Milk, dried	[1] 12, 486. 68	415, 986. 72
Peas, dry edible	648. 15	----
Potatoes, sweet	95. 52	[1] 138, 180. 51
Potatoes, white	[1] 60, 091, 288. 27	[1] 47, 405, 542. 48
Soybeans	2, 741, 090. 41	4, 986. 73
Turkeys	----	[1] 3, 708. 13
Total, Steagall commodities	[1] 56, 898, 433. 64	[1] 72, 958, 594. 60
All other:		
Barley	50, 549. 89	275. 33
Cotton, Puerto Rican	[1] 4, 187. 06	----
Flax fiber	6, 100. 45	[1] 179, 851. 88
Fruits, dried:		
Prunes	----	[1] 8, 771, 558. 49
Raisins	----	[1] 6, 791, 826. 37
Grain sorghums	10, 140. 74	[1] 18. 27
Grapefruit juice	----	[1] 1, 732, 373. 97
Hemp and hemp fiber	[1] 1, 257, 168. 76	[1] 7, 702. 17
Honey	----	[1] 404, 055. 74
Naval stores:		
Rosin	[1] 459. 51	----
Turpentine	----	[1] 107, 063. 27
Oats	3, 055. 80	287. 03
Rye	14, 931. 76	----
Seeds:		
Hay and pasture	48, 795. 06	[1] 9, 834. 33
Winter cover crop	[1] 30, 135. 54	[1] 3, 896. 89
Sugar:		
Domestic beet	----	[1] 11, 859, 187. 15
Puerto Rico and Virgin Island	----	23, 830. 42
Tung oil	----	[1] 4, 746. 58
Vegetables, canned	12, 630. 66	6, 280. 75
Wool	[1] 33, 484, 668. 69	[1] 19, 501, 356. 97
Total all other	[1] 34, 630, 415. 20	[1] 49, 342, 798. 55
Total, price-support program	[1] 42, 784, 595. 87	[1] 125, 382, 594. 10

[1] Denotes loss.

In the case of warehouse-stored grain, the CCC takes over the warehouse receipt representing ownership of the grain if the producer does not repay his loan. This discharges the obligation of the producer.

Q. Why is it that grain prices sometimes drop below the support level?

A. A producer must provide adequate storage, either farm storage or commercial storage, to be eligible for CCC loans. And a producer ought to have good storage—although it is not a requirement—to take full advantage of purchase agreements, because the quality of the producer's grain is one of the bases for payment at the time the producer delivers his grain to the CCC. Thus a lack of adequate storage facilities is a factor that causes many producers to sell their grain at going market prices (which may be below the support price).

Then, too, some producers, even though able to meet storage requirements, are not interested in taking advantage of the price-support program when the market price is only slightly below the support price.

Q. Can the CCC acquire or lease facilities for storage of grain under control of the CCC?

A. The Commodity Credit Corporation Charter Act, passed in 1948 by the Eightieth Congress, provides that "the Corporation shall not have power to acquire or lease any (such) plant or facility or to acquire or lease real property or any interest therein, except that * * * it may continue to lease (by renewing or extending existing leases or entering into new leases) property leased by it on the date of the enactment of this Act." The CCC is thus prohibited from buying or leasing new bins which are to be used to store commodities controlled by the CCC, or from buying or leasing additional land on which to put any facilities. In effect then, the CCC's ability to store grain is limited to the storage capacity available when the act was passed—less than 50,000,000 bushels, as compared with a peak capacity of about 300,000,000 a few years ago. However, this does not prevent a farmer from obtaining a loan on grain stored in his own storage bins or in commercial storage facilities.

Q. Why is it that loans and purchase agreements on grain are available to producers for only part of the marketing season?

A. Nothing in the law requires the CCC to confine availability of loans and purchase agreements to only part of the marketing season. (In the case of wheat, for example, loans and purchase agreements are available from harvest through December 31 of the calendar year in which the wheat is harvested.) But from an administrative standpoint, this policy has much in its favor. It enables the Department of Agriculture to complete all operations with respect to the old crop before starting operations on the new crop. And it is believed that such a policy imposes no hardship on producers. They can take advantage of the protection offered during the first half of the marketing year, which includes the heavy marketings at harvest time, when grain prices are normally at their lowest level.

Cotton

Q. How does a producer obtain a loan on cotton?

A. The producer delivers his ginned cotton to a warehouse approved by the CCC and obtains a warehouse receipt, or, if warehouse space

is not available, a bill of lading in lieu of a warehouse receipt. But to obtain a loan, he must have his cotton classed by a Board of Cotton Examiners of the Department of Agriculture, which involves one of two procedures. In one instance, the producer authorizes the warehouseman to draw samples, which are sent to an office of the board. The board, when it finishes the classing, sends the warehouseman a form indicating the "class," that is, the grade and staple length of the cotton. In the other instance, if the producer belongs to a cotton-improvement group organized under the Smith-Doxey Act, an individual designated by the group draws the samples and forwards them to the board. The board, after classing the samples, informs the producer of the class. After the class has been obtained, the producer completes a loan form, with which, together with the warehouse receipt or bill of lading, he obtains his loan from a lending agency (usually a local bank)—or direct from the CCC.

Producer members of cooperative marketing associations obtain loans through the associations at the same rate and in much the same manner as through approved warehouses. The associations then tender to the CCC the documents covering the cotton they acquire as collateral and receive a loan on the cotton from the CCC.

Producers also may obtain loans on farm-stored cotton, although very few loans of this type are made and then, generally, only when there happens to be a shortage of commercial warehouse space. The loan procedure for farm-stored cotton is very similar to that for grain. The county ACA committee arranges for inspecting storage facilities and aiding the producer in completing loan documents. The loans are evidenced by notes, which are secured by chattel mortgages covering the cotton. With the note and chattel mortgage, the producer obtains his loan from a lending agency.

Q. How does the producer dispose of loan cotton?

A. He has three courses open to him (provided he is not a member of a cooperative cotton marketing association).

1. His loan from the CCC is a nonrecourse loan. Accordingly, he may choose not to repay the loan and not to redeem the cotton.
2. He may repay his loan and sell the cotton in the open market.
3. He may sell his "equity" in the cotton under loan, the equity representing the difference between the amount due on the loan and the amount the producer can receive in the local market. The selling of the equity is simple, involving only the signing of the equity transfer on the producer's copy of the loan form in the presence of a witness. The buyer of the equity must present the equity transfer within 15 days and must repay the loan against the cotton within 15 days after the warehouse receipts are forwarded to the bank designated by the equity purchaser to receive repayment of the CCC's loan, otherwise title to the cotton reverts to the producer. Practically all producers who redeem cotton under loan do so by means of the equity transfer.

Q. What is a cotton "pool" (for producers' accounts)?

A. A pool enables producers to participate in any net profits that might be made from the sale of cotton placed under loan and not redeemed by producers.

The CCC, in pooling cotton, has followed the practice of giving producers notice by public announcement that cotton still under loan

on a certain date would be pooled for producers' accounts. Thus producers are given an opportunity to redeem their cotton or sell their equities in the cotton before it is pooled. After the pooling date, however, producers may not redeem their cotton or sell their equities. No payments are made to producers at the time their cotton is placed in the pool. Proceeds from the sale of the cotton in the pool are used to satisfy the amounts due on the loans, including interest and charges that have accrued. Any amount remaining after all the cotton in the pool is disposed of, and all loans satisfied, is distributed among producers in proportion to their interest in the pool.

Peanuts

Q. How does the producer obtain price support on peanuts?

A. 1. The producer may sell his crop through one of three peanut cooperatives. In this case, he hauls his peanuts to the nearest receiving agency or warehouse of the cooperative. There his peanuts are graded by a CCC-approved inspector. The receiving agency then fills out a bill of sale and a sight draft. The producer takes the bill of sale and draft to a local bank and receives from the bank the amount called for on the draft.

There are three peanut cooperatives: The Growers Peanut Cooperative, Franklin, Va., handling the peanut program in the Virginia-North Carolina peanut area; the Georgia-Florida-Alabama Peanut Association, Camilla, Ga., handling the program in the southeastern peanut area; and the Southwestern Peanut Growers Association, Gorman, Tex., handling the program in the southwestern peanut area. These cooperatives, through receiving agency contracts, maintain 400 to 600 receiving agencies or warehouses scattered throughout the peanut-producing areas.

The contract between the CCC and a cooperative requires that the cooperative, among other things, shall furnish adequate facilities for receiving, handling, grading, storing, and marketing farmers' stock peanuts. The CCC, for its part, agrees to pay the cooperative for administrative expenses incurred in carrying out its contract with the CCC.

The local bank that cashes the producer's draft has no contract with the CCC. The local bank merely handles the draft as a service to the producer. What the local bank does is forward the draft to one of three "central" banks with which the CCC does have a contract. These banks are: The Farmers Bank of Nansemond, Suffolk, Va.; the Fulton National Bank or the Citizens National Bank, Atlanta, Ga. (the banker's contract alternates from year to year between those two banks); and the First National Bank, Gorman, Tex. These banks are paid 1¼ percent interest on the average daily balance of funds paid out in meeting the drafts. In addition, they are paid a service fee for each item handled. The central banks, of course, are reimbursed by the CCC for all expenditures made on behalf of the CCC.

2. Producers also have the option of selling their peanuts to dealers—shellers, crushers, or warehousemen—who, under terms of a contract with the CCC, agree to pay producers the support price. As in the case of peanuts handled by a cooperative, the peanuts delivered to the dealer by the producer are graded by a CCC-approved inspector.

After the quality has been determined, the producer receives the support price direct from the dealer.

The CCC has entered into contracts with 180 dealers, located throughout the various producing areas. In return for the dealers' paying the support price for farmers' stock peanuts, the CCC agrees to purchase any such farmers' stock peanuts offered by the dealer between December 1 and the following April 30, and to purchase from the dealer all the No. 2 shelled peanuts produced by the dealer in his own plant and offered to the CCC. Buying prices per pound are 16¼ cents for the Virginia type; 15¾ cents for Spanish and Valencia types; and 15⅝ cents for the Runner type. These prices represent the cost to the CCC of sound mature kernels in farmers' stock peanuts.

The CCC guarantees loans made by lending agencies to dealers approved by the CCC, the CCC stipulating, however, the maximum amount that will be loaned to each dealer. The loans are secured by farmers' stock peanuts in the possession of approved dealers who have paid the producers the support price.

NOTE.—CCC price-support procedures make it possible for producers to obtain loans on warehouse-stored peanuts during the period August 1–January 31 of each marketing year. However, no loans have been made on peanuts because producers have taken advantage of the protection afforded by CCC's purchases at the support price.

Tobacco

Q. How does the producer obtain a loan on tobacco?

A. Procedures vary somewhat among producing areas but the following is a general outline of the manner in which the producer obtains a tobacco loan:

Producers who obtain loans on tobacco belong to or become members of 1 of the 14 producer cooperative associations of the continental United States and Puerto Rico. The associations, under their contract with the CCC, handle all operations connected with making tobacco loans. The associations are financed by funds advanced to banks acting as agents for the CCC. The funds thus made available are used to pay loans to producers (through auction warehouses, except to producers of cigar leaf tobacco) and to reimburse trucking companies, redrier plants, and storage warehouses for services performed on behalf of the association. Administrative expenses of the associations are borne by the CCC to the extent that producers' fees (generally a minimum of 12 cents per 100 pounds) fail to cover such expenses. These advances are subject to budget approval by the CCC and become a part of the over-all loan.

In areas where tobacco is sold at auction, the producer trucks his cured tobacco to an auction warehouse where it is weighed, identified by a warehouse sales ticket, and segregated in "baskets"—lots or piles—and displayed on the auction floor. A Government tobacco inspector grades the tobacco in each basket and marks the grade on the warehouse sales ticket. At the time of sale, the tobacco is auctioned to the highest bidder. If the high bid for any particular basket does not exceed the loan rate—the published rate for that grade—that basket is consigned to "loan," provided the grower is a cooperator under the marketing quota program and is eligible for a loan. The grower's eligibility is established by the county ACA committee which issues to an eligible producer a "within marketing quota" card. After the sale is com-

pleted, the producer is paid for his tobacco, including payment at the loan rate for all tobacco that went under the loan. In addition to the check issued, the farmer is also given a participation record covering the quantity of the tobacco that went under loan. A copy of the participation record goes to the association, together with the auction warehouseman's billing for the day's operations.

The loan tobacco acquired by the association during the day is trucked to the plant of a redrier or a packer under contract with the association. The tobacco, segregated by grade, is run through a redrying machine and packed in hogsheads—although some tobacco is merely "stiffened" through a natural drying process and some is not processed at all before it is packed in hogsheads. The redrier or the packer sends a report to the association showing the quantity of loan tobacco received from each auction warehouse. The association matches the redrier's or the packer's report with the warehouseman's billing and draws a check to the warehouseman for the total day's business. The packer transports the packed hogsheads to a storage warehouse where warehouse receipts are issued in favor of the association.

Over a period of time the tobacco acquired by the association is marketed on the basis of prices established jointly by the CCC and the association. When all the tobacco is sold, net gains, if any, are distributed by the association to growers. The distribution of net proceeds is determined by the participation record prepared at the warehouse at the time the grower's tobacco was consigned to loan. The procedure for obtaining loans on cigar leaf tobacco is essentially the same as for other types with one exception, that is, cigar leaf tobacco is not sold at auction. The producer delivers his tobacco to a warehouse or assembly point maintained by the association and receives his loan on the basis of a U. S. grade certification.

PRICE SUPPORT AFTER 1949

Title II of the Agricultural Act of 1948, variously referred to as the "long-range farm program," the "flexible price-support program," or the "Aiken bill," provides for price support after 1949 and amends various provisions of the Agricultural Adjustment Act of 1938. The following is a brief summary of the new legislation, which, unless modified by the Eighty-first Congress, will become effective January 1, 1950.

Price support: The Secretary of Agriculture is given general authority to support prices of agricultural commodities to producers through loans, purchases, payments, and other operations.

(*a*) Basic commodities: A schedule of minimum price supports for the basic commodities with a moving floor ranging from 60 percent of parity when the total supply is more than 130 percent of the normal supply up to 90 percent of parity when the total supply is not more than 70 percent of the normal supply. Whenever acreage allotments or marketing quotas are in effect, the minimum support price provided in the schedule is automatically increased by 20 percent, but the support shall not exceed 90 percent of parity.

An exception is made in the case of tobacco, which is to be supported

at 90 percent of parity in any year in which marketing quotas are in effect.

The support levels for basic commodities stated above apply only to cooperators, that is, to producers who do not plant in excess of their farm acreage allotment. The level of support to noncooperators is discretionary. In the event that quotas are disapproved by more than one-third of the affected producers voting in a referendum, the support level shall be 50 percent of parity.

(*b*) Nonbasic commodities: Except for potatoes and wool, the Secretary of Agriculture is authorized to support prices of nonbasic commodities at any level from zero to 90 percent of parity, taking into consideration the ability and willingness of producers to keep supplies in line with demand and other factors.

In the case of Irish potatoes harvested after December 31, 1949, prices are to be supported at not less than 60 percent nor more than 90 percent of parity.

In the case of wool, the Secretary of Agriculture is directed to support the price at such a level, not less than 60 percent nor more than 90 percent of parity, as he may consider necessary to encourage an annual production of 360 million pounds of shorn wool.

Price support on poultry is broadened. Any price-support operation undertaken with respect to either turkeys or chickens shall be applicable to all chickens, including broilers. And if any price-support operation is undertaken with respect to either chickens or turkeys, the same parity price-support operation shall be applicable to ducks and ducklings and other poultry.

Compliance of producers with acreage allotments, production goals, and marketing practices (including marketing allotments and orders) prescribed by the Secretary of Agriculture may also be required as a condition of eligibility for price support of nonbasic commodities.

Price support above 90 percent of parity: In the event that the Secretary of Agriculture, after a public hearing, finds price-support levels higher than 90 percent of parity to be "necessary in order to increase or maintain the production of any agricultural commodity in the interest of national security," support at higher levels may be undertaken.

Marketing quotas: Title II amends provisions of the Agricultural Adjustment Act of 1938, regarding conditions which must exist before marketing quotas may be proclaimed.

Marketing quotas for corn, wheat, cotton, and rice may be proclaimed for the following year when it is estimated that the total supply for the marketing year beginning in the then current calendar year will exceed the normal supply by more than 20 percent (8 percent in the case of cotton) or when the average farm price for 3 successive months of the marketing year ending in the current calendar year has been 66 percent of parity or less, provided the total supply is not less than the normal supply. In every year, the Secretary of Agriculture is to proclaim a marketing quota for each kind of tobacco for which a marketing quota was proclaimed for the immediately preceding marketing year, and to proclaim a marketing quota for Virginia sun-cured tobacco for each marketing year for which a quota is proclaimed for fire-cured tobacco. Prior legislation, which is not

changed by title II, provides that marketing quotas be proclaimed for peanuts each year.

Marketing quotas cannot be made effective unless approved by at least two-thirds of the farmers voting in a referendum.

Penalties provided in the Agricultural Adjustment Act of 1938 for marketings in excess of the farm quota are 50 percent of the basic loan rate applicable to cooperators in the case of corn, wheat, cotton, rice, and peanuts, and 40 percent of the preceding season's average price in the case of tobacco.

Definitions: "Carry-over" in the case of corn, rice, and peanuts for any marketing year shall be the quantity on hand in the United States at the beginning of such marketing year, not including any quantity which was produced in the United States during the calendar year then current. Carry-over of cotton for any marketing year shall be the quantity on hand within the United States at the beginning of such marketing year, which was produced in the United States prior to the beginning of the calendar year then current, plus the quantity on hand within the United States at the beginning of such marketing year which was produced outside the United States. (Under the Agricultural Adjustment Act of 1938, the carry-over of wheat and tobacco for any marketing year shall be, with some minor exceptions, the quantity of wheat and tobacco on hand in the United States at the beginning of such marketing year, not including any wheat and tobacco which were produced in the United States during the calendar year then current. These definitions are unchanged by the Agricultural Act of 1948.)

"Normal supply" in the case of corn, cotton, rice, wheat, and peanuts for any marketing year shall be the estimated domestic consumption for the marketing year ending immediately prior to the marketing year for which normal supply is being determined, plus estimated exports for the marketing year for which normal supply is being determined, plus an allowance for carry-over. The allowance for carry-over shall be the following percentage of the sum of the consumption and exports used in computing normal supply: Corn, 7 percent; cotton, 30 percent; rice, 10 percent; wheat, 15 percent; and peanuts, 15 percent. In determining normal supply, the Secretary of Agriculture shall make such adjustments for current trends in consumption and for unusual conditions as he may deem necessary.

Normal supply in the case of tobacco shall be a normal year's domestic consumption and exports, plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports as an allowance for a normal carry-over.

"Total supply" for basic commodities other than tobacco is defined as the carry-over at the beginning of the marketing year plus estimated production and imports. Total supply for tobacco is the carry-over plus estimated production.

"Parity prices": See the chapter headed "Parity after 1949," which begins on page 54.

Sales of CCC-owned commodities: See the answer to the question "What is the CCC's policy in selling commodities acquired under price-support operations?" on page 17. The policy adopted by the CCC for 1949 is the same as will be required by the Agricultural Act of 1948 after January 1, 1950.

SECTION 32 PROGRAMS

Congress in 1935 passed legislation aimed at widening the market outlet for farm commodities, which, at that time, were in heavy supply. This legislation (sec. 32 of Public Law No. 320, 74th Cong.) still authorizes the Department of Agriculture to channel surplus agricultural commodities to useful outlets. These so-called surplus removal operations directly or indirectly tend to increase prices received by farmers for many commodities.

Section 32 specifically authorizes the Secretary of Agriculture: (1) To encourage exports of agricultural commodities through payment of benefits or indemnities for losses incurred, or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) to encourage domestic consumption of agricultural commodities by diverting them from normal channels of trade or by increasing their utilization among people in low-income groups; and (3) to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. Section 32 provides that an amount equal to 30 percent of the gross receipts from duties collected under the customs laws during each calendar year shall be made available to the Secretary of Agriculture during each following fiscal year for carrying out the authorized programs.

The following statements summarize very briefly the various section 32 programs carried on during the fiscal year 1948, the latest period for which complete information is available.

EXPORT PROGRAMS

Section 32 export programs were carried on during the fiscal year 1948 for cotton, tobacco, dried fruit, and dried eggs.

Under the cotton export program, payments totaling $2,039,000 on 945,000 bales were made to exporters. The rate was ½ cent per pound from July 1, 1947, to March 3, 1948; ⅛ cent from March 3, 1948, to June 23, 1948; and 10 cents per bale from June 23, 1948, to July 1, 1948.

Section 112 (f) of the Economic Cooperation Act of 1948 authorizes the Secretary of Agriculture to use section 32 funds to pay as much as 50 percent of the sales price to private exporters of surplus agricultural commodities—or to Government agencies procuring or selling such surplus agricultural commodities—for utilization under the Economic Cooperation Act or any other act providing for assistance or relief to foreign countries. Exports of dried fruit, dried eggs, and tobacco were made in the fiscal year 1948 under authority of section 112 (f), the programs being handled as follows:

The Department of the Army purchased for use in occupied areas about 58,000 tons of dried fruit from stocks acquired by the Commodity Credit Corporation under its price-support operations. The Department of the Army paid the CCC 75 percent of the value of the fruit while the Department of Agriculture, under authority of section 112 (f), made up the remaining 25 percent out of section 32 funds—$2,766,000.

The Economic Cooperation Administration purchased for relief use in western Europe 37,543,000 pounds of frozen eggs acquired by the

CCC under its price-support operations. The ECA paid 50 percent of the value of the eggs and the Department of Agriculture, as authorized under section 112 (f), a like amount—about $7,095,000.

Under two programs, a total of 84,000,000 pounds of tobacco was exported to western Europe during the fiscal year 1948. A total of $9,509,000 of section 32 funds, representing a third of the sales price, was spent to encourage these exports. Under one program, the Department of Agriculture agreed to pay benefits to the Joint Export-Import Agency, Frankfurt, Germany, of not more than one-third of the f. o. b. vessel value of United States and Puerto Rican types of tobacco. Under the other program, the Department of Agriculture extended to exporters benefit payments amounting to one-third of the fair and reasonable f. o. b. vessel sales price of fire-cured and dark air-cured tobacco.

DIVERSION PROGRAMS

Surplus cotton, fresh pears, and potatoes were diverted from normal marketing channels under section 32 during the fiscal year 1948.

Under the cotton diversion program, payments were made at the rate of 5¾ cents per pound of cotton used in the manufacture of insulation that met specifications prescribed by the Department of Agriculture. A total of 18,584 bales was diverted at a cost of $534,285. A similar program with the rate of payment reduced to 4¼ cents per pound, is in effect for the fiscal year 1949.

Payments of 45 cents per box were made to shippers for specified varieties of pears diverted from normal trade channels to the domestic markets in North Dakota, South Dakota, Minnesota, Nebraska, Iowa, Kansas, Missouri, Oklahoma, Arkansas, Texas, Louisiana, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina, and North Carolina—where pear consumption is below the national average. Expenditures totaled $27,739 on 2,835,440 pounds diverted.

Under the potato-diversion program, manufacturers of approved products bought 2,325,000 bushels of potatoes from producers at the support price. The manufacturers then were reimbursed by the Department of Agriculture for part of the price paid to producers. In addition, 5,530,000 bushels of potatoes were disposed of for livestock feed and as industrial raw material. Expenditures under this program totaled $10,627,000—offset to some extent by sales receipts totaling $521,000.

DIRECT DISTRIBUTION (PURCHASE) PROGRAMS

A wide variety of surplus foods was purchased under section 32 during the fiscal year 1948. Included on the list were dried eggs; dried apricots; canned, fresh, and dried apples; canned applesauce; dried figs; canned grapefruit juice; canned orange juice; dried peaches; fresh pears; canned plums; dried prunes; dried raisins; honey; filberts; walnuts; snap beans: beets; cabbage; potatoes; and sweetpotatoes. The cost of these commodities was $43,059,630. Distribution was made to school lunch programs—to schools participating in the national school lunch programs as well as to schools carrying on independent school lunch programs, to charitable institutions, and to persons in low-income groups certified by public-welfare agencies as eligible for relief.

PROGRAMS TO REESTABLISH FARMERS' PURCHASING POWER

No programs have been initiated under this authority (clause (3) of sec. 32) in recent years.

STATUS OF SECTION 32 FUNDS, FISCAL YEAR 1948

The following tabulation shows project obligations, statutory transfers, expenditures, balance, and availability of section 32 funds in the fiscal year 1948:

	Dollars
Project obligations:	
Exports	21, 409, 366
Diversion	11, 188, 789
Direct distribution (purchase)	43, 059, 630
Administrative expenses	1, 758, 090
Total	77, 415, 875
Transfers for purposes other than sec. 32:	
National school lunch program	65, 000, 000
Other	341, 855
Total	65, 341, 855
Total expenditures	142, 757, 730
Unobligated balance	6, 787, 038
Total availability (expenditures plus balance)[1]	149, 544, 768

[1] The source of section 32 funds in the fiscal year 1948 was as follows: 30 percent of the customs duties collected during the period January 1, 1947–December 31, 1947, was $149,023,930. Sales of potatoes for livestock feed and industrial raw materials brought receipts of $520,838. The sum of these amounts is $149,544,768.

QUESTIONS AND ANSWERS

Q. Do section 32 programs "support" prices?

A. Section 32 programs tend to prevent drastic declines in prices but they do not "support" prices at any fixed level, such as at 90 percent of the parity price, except when a Steagall commodity is involved. In such a case, the section 32 program is so correlated with price-support operations as to provide a price return to the farmer, with respect to the quantity involved, equal to the support price.

The Commodity Credit Corporation, which was established in 1933, was given very broad authority to support prices through loans, purchases, and other operations. A study of congressional discussion of section 32 at the time this legislation was being considered in 1935, indicates that Congress, by authorizing what might be called surplus-removal programs, was seeking an *additional* approach to the problem of low commodity prices—an approach that would be separate and distinct from direct price support.

Q. What are major differences between section 32 and price-support operations?

A. 1. Section 32 does not specify what commodities are to be exported, diverted, or distributed, as the case might be, nor does it fix any particular level for making payments, indemnities, or purchases. The Agricultural Act of 1948 makes price support mandatory for a number of individual commodities.

2. Section 32 does not specify how much the Department of Agriculture shall pay per unit when making payments, indemnities, or

purchases. The Agricultural Act of 1948 specifies, generally in terms of percentages of parity, the level at which prices of many commodities shall be supported.

3. Under section 32 programs, the Department of Agriculture does not acquire and hold commodities—in the case of export and diversion programs, the Department does not even take title to the commodities in most instances, and in the case of distribution programs, the commodities (generally perishables) are shipped promptly for school lunch programs and to institutions. Under price-support programs, substantial inventories of storable commodities, such as cotton, tobacco, and grain, may be accumulated.

4. Commodities purchased for direct distribution programs under section 32 are donated through State distributing agencies to school lunch programs and to welfare agencies and institutions for relief purposes. Commodities acquired under price-support programs must, in general, be sold at not less than the lowest of the following: (1) A price that will reimburse the CCC for its costs; (2) 90 percent of the parity price; or (3) a price halfway between the support price, if any, and parity. (See p. 17.)

Q. May section 32 funds be used under the price-support program in 1949?

A. Yes. Title I of the Agricultural Act of 1948 provides that "from any funds available to the Department of Agriculture or any agency operating under its direction for price-support operations or for the disposal of agricultural commodities, the Secretary of Agriculture is authorized and directed to use such sums as may be necessary to carry out the provisions of Section 1 of this Act." (Sec. 1 makes price support mandatory for basic and Steagall commodities and permissive for other commodities.) Thus, express statutory provision exists for the utilization of the surplus-removal programs of section 32 as an additional affirmative means of price support.

Q. Have any other types of operations been carried on under authority of section 32?

A. Yes.

In the fiscal years 1939–43 a food stamp program was operated, and, in the fiscal years 1940–42, a cotton stamp program was in operation. Under the food stamp program, persons certified by local welfare agencies as eligible for relief bought minimum quantities of orange-colored stamps, good in exchange for any foodstuff, and received free a specified number of blue stamps, good in exchange only for abundant foods designated by the Department of Agriculture. Purchases of orange stamps insured that normal expenditures for food would be continued and that foods obtained with free blue stamps would represent a net addition to food consumption. Essentially the same procedure was used for the cotton stamp program. Both programs were carried on under authority of clause (2) of section 32, which directs the Secretary of Agriculture to increase the utilization of agricultural commodities "through benefits, indemnities, donations, or by other means, among persons in low-income groups * * *"

In the fiscal years 1944–46, prior to passage of the National School Lunch Act of 1946, school lunch and school milk programs were carried on as separate section 32 activities under authority of clause (2), and Department Appropriation Acts.

During the fiscal year 1941, a supplementary cotton stamp program was made effective as one phase of the general program to adjust cotton production to consumption requirements. It provided for making payments in the form of cotton order stamps for reductions in cotton acreage below the allotment determined for the farm under provisions of the 1941 agricultural conservation program. Payments were computed at the rate of 10 cents per pound on the normal cotton yield of the diverted acreage. The program provided for minimum payments of $5 and maximum payments of $25 for each farm, and also provided that in no event should a producer's cotton order payments exceed a total value of $50, regardless of how many farms he owned. This program was carried on under clause (3) of section 32, which authorizes the Secretary of Agriculture to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

THE NATIONAL SCHOOL LUNCH PROGRAM

The National School Lunch Act of 1946 declares it to be the policy of Congress, as a measure of national security, "to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of foods and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school-lunch programs."

Before receiving any Federal grant-in-aid funds, however, each State must enter into an agreement with the Department of Agriculture, the agreement containing the minimum requirements of eligibility for Federal assistance and the terms and conditions under which such assistance will be granted. The agreement provided, among other things, for meeting minimum nutritional requirements laid down by the Department of Agriculture and for operating on a nonprofit basis. Lunches must be served free of charge or at reduced prices to children who are unable to pay the full cost of the lunch. Soon after the beginning of each fiscal year, each State must submit a plan of operation, for the approval of the Department, presenting in detail the manner in which the program is to be conducted during the ensuing school year.

Each State signing an agreement and submitting an acceptable plan of operation receives, in quarterly installments, its share of Federal funds, which are apportioned on the basis of a formula prescribed in the act. States with large populations of children and low incomes per capita receive relatively large shares of available Federal funds.

The States are required to match Federal funds on a dollar-for-dollar basis through the fiscal year ending in 1950. The matching funds may be acquired from various sources within the State—public or private—and may include the payments that children make for their lunches. The act requires States to provide one and one-half dollars for each dollar of Federal funds from 1950 through the fiscal year 1955, after which each Federal dollar must be matched with three dollars of State funds.

The act authorizes appropriations for both food and nonfood assistance. Thus far, however, funds for nonfood assistance have been appropriated only for the first year of operation under the act—the fiscal year 1947. Nonfood assistance is defined as equipment used in storing, preparing, or serving food for school children.

Section 6 of the act provides that part of the appropriation available may be used by the Department to purchase food for direct distribution to States and schools in accordance with need. This distribution is in addition to foods the schools may purchase with Federal grant-in-aid funds. For the fiscal year 1949, section 6 foods include processed Cheddar cheese, nonfat dry milk, canned tomatoes, canned tomato paste, concentrated orange juice, and peanut butter.

Section 9 of the act provides that each school shall, insofar as practicable, utilize in its lunch program commodities designated by the Department of Agriculture as being in abundance, either nationally or in the school area. In addition, the act provides that commodities purchased by the Department of Agriculture under section 32 operations may be distributed to schools in accordance with needs as determined by local school authorities.

QUESTIONS AND ANSWERS

Q. What type of Federal assistance may be provided under the National School Lunch Act?

A. Three types: (1) Cash reimbursement for a part of the school's food expenditure; (2) funds to assist in the purchase of equipment for preparing and serving lunches; and (3) foods, either purchased by the Department specifically for use in school lunch programs (under section 6 of the National School Lunch Act) or those made available under section 32 programs.

Q. What was the total value of foods purchased locally by participating schools during the fiscal year 1948?

A. Local purchases of food by participating schools totaled approximately $140,000,000—exclusive of foods donated by local groups or furnished by the Department.

Q. What foods do schools buy?

A. Schools buy a wide variety of food items in order to serve nutritious, balanced meals—milk and other dairy products, meat, poultry, eggs, fruits and vegetables, fats and oils, cereals, and sugars. Under the provisions of the National School Lunch Act, schools are required to spend, insofar as practicable, a part of their food funds for food commodities that are in abundant supply nationally. Each month PMA provides a list of these abundant foods to State agencies administering the program. They, in turn, transmit this information to all participating schools. Schools also are required to purchase, insofar as practicable, foods that are in abundant supply in the school area.

Q. What was the value of commodities furnished by the Department during the fiscal year 1948?

A. Approximately $14,500,000 of Federal funds were used, under authority of section 6 of the National School Lunch Act, to purchase foods for use by schools participating in the national school lunch program. In addition, a part of the commodities acquired with section 32 funds, were furnished for use by all schools serving lunches

on a nonprofit basis, including schools participating in the national school lunch program and "other" schools, at a cost to the Government of approximately $20,000,000.

Q. What is the prime consideration in the purchase of foods under section 6?

A. The purchase of foods that will most economically help schools to meet nutritional requirements established by the Department. In some instances, these purchases also assist in stabilizing prices or removing surpluses.

Q. What foods were purchased under section 6 in the fiscal year 1948?

A. Cheese, nonfat dry milk solids, peanut butter, canned tomatoes, tomato juice, and concentrated orange juice.

Q. How are these foods usually purchased?

A. By PMA commodity branches, on a competitive offer basis.

Q. Does the national school lunch program increase the total consumption of food?

A. Reliable statistics on a Nation-wide basis are lacking as to the exact extent to which consumption is increased. Surveys show, however, that the diets of many school children are inadequate and that when school lunches are available, children consume larger quantities of food—food that will provide a balanced diet.

Q. What was the scope of the national school lunch program during the fiscal year 1948?

A. Approximately 44,500 schools throughout the United States and its Territories and possessions served lunches to more than 6,000,000 children during the peak month, December 1947.

Q. What was the estimated total cost of the national school lunch program during the fiscal year 1948?

A. To the original Federal appropriation of $65,000,000 for the fiscal year 1948 (transferred by act of Congress from section 32 funds), $5,000,000 was added under a deficiency appropriation in February 1948. In addition, section 32 foods costing $20,000,000 were channeled to all schools serving lunches on a nonprofit basis.

It is estimated that contributions to the program from sources within the States and Territories—cash (including appropriations, donations, and payments by children), the value of donated foods, and the value of donated services—totaled $190,000,000.

MARKETING AGREEMENT AND ORDER PROGRAMS

Marketing agreement and order programs, established under the Agricultural Marketing Agreement Act of 1937, as amended, seeks to establish and maintain orderly marketing conditions for certain commodities and their products. At the present time (March 1949) marketing agreement and order programs are in effect for two general classes of commodities and products thereof: (1) Milk, and (2) tree fruits, tree nuts, and vegetables.

Milk-order programs establish minimum prices that handlers or distributors are required to pay producers. The orders provide for the classification of milk according to use and the determination of prices for the various uses. The price of milk—and in a few instances, cream—for fluid distribution is established at a higher level than prices for other uses.

Regulations for specialty crops, such as tree fruits, tree nuts, and vegetables, govern the quantity, quality, and rate of shipment from the producing area to all markets but not the price. This control, however, tends to strengthen prices of the commodities under regulation.

Certain general features of marketing agreement and order programs are summarized by B. A. Holt and Donald M. Rubel, in an article entitled "Marketing Agreement Programs as a Means of Agricultural Adjustment," in the 1940 Yearbook of Agriculture as follows:

> (1) These programs embrace both voluntary control, represented by marketing agreements, and regulatory control, enforced by orders. They are initiated within the production or marketing area by producer groups or others interested in improving marketing conditions. The regulatory aspect of the program is essential to its success, and the authority to proceed on a regulatory basis is necessary for the protection of producers' interests. (2) The programs are primarily applicable to localized production or marketing areas for individual commodities and are designed to meet the particular problems of such areas. The provisions of the legislation (the Agricultural Marketing Agreement Act of 1937) are, in general, sufficiently broad to permit the development of programs flexible enough to meet many of the peculiar marketing problems of various individual areas or commodities. (3) The legislation alone imposes no control over the marketing of any commodity; neither does it assure that such control will necessarily be established over any commodity. It is enabling legislation, under which programs may be undertaken with respect to specified commodities provided conditions within the area are such that a satisfactory and practical program can be developed within the authority and limitations of the act. (4) The programs are financed by the interested industry, and they provide for as great a degree of democratic control by the industry in their development and operations as is legally possible, with sufficient governmental supervision to protect the interests of individuals and the general public.

QUESTIONS AND ANSWERS

Q. What is the distinction between a marketing agreement and a marketing order?

A. A marketing *agreement* is a voluntary contract entered into by the Secretary of Agriculture and a handler of a particular agricultural commodity. Such an agreement affects only the handlers who sign it. Handlers of *any* agricultural commodity or product thereof may enter into a marketing agreement with the Secretary of Agriculture.

A marketing *order* issued by the Secretary of Agriculture makes the terms of the marketing agreement program effective upon all handlers in the industry, regardless of whether they signed the marketing agreement. Marketing orders are applicable only to the following agricultural commodities and products thereof (except products of naval stores and honeybees): Milk, fruits (including pecans and walnuts but not including apples other than those produced in the States of Washington, Oregon, and Idaho, and not including fruits, other than olives, for canning or freezing), tobacco, vegetables (not including vegetables, other than asparagus, for canning or freezing), soybeans, hops, honeybees, and naval stores as included in the Naval Stores Act and standards established thereunder (including refined or partially refined oleoresin).

Most programs for fluid milk markets are in effect under orders without agreements, whereas most programs for other commodities are under both marketing agreements and orders.

Q. How is a marketing agreement or order instituted?

A. Several steps are usually involved: (1) Producers must generally favor and agree upon the broad provisions of a proposed program; (2) the producer-sponsored program, together with a request for a public hearing, is submitted to the Secretary of Agriculture; (3) after due notice, the hearing is held; (4) interested parties are given sufficient time to file written briefs or arguments and proposed findings or conclusions after the close of the hearing; (5) a recommended decision is prepared and published containing terms of the program as revised on the basis of evidence presented at the hearing; (6) interested parties are given sufficient time to file exceptions to the recommended decision; (7) a final decision of the Secretary of Agriculture is prepared with respect to terms and provisions of the marketing agreement; (8) the marketing agreement, as approved by the Secretary of Agriculture, is submitted for approval by handlers and the regulatory program is also submitted to producers; (9) if 50 percent of the handlers sign the agreement (as to California citrus fruit it is 80 percent) and two-thirds of the producers approve the issuance of an order (as to California citrus and individual handler pools in milk it is three-fourths), the Secretary then may issue an order making the terms of the marketing agreement program effective upon the entire industry in a specified area. If the issuance of an order has the necessary producer approval but the required proportion of handlers fails to sign the agreement, the Secretary may, nevertheless, issue an order to accomplish the purposes of the act, if he finds that the issuance of an order is the only practicable means of advancing the interests of producers, and if refusal or failure of the handlers to sign tends to prevent accomplishing the declared policy of Congress.

Q. Who is regulated under a marketing agreement or marketing order?

A. Handlers are regulated. The term "handler" is usually defined specifically in the marketing agreement and the order.

Q. What legal action may be taken against the violator of an order?

A. Three types of legal action may be taken by the Department of Justice:

(1) Civil action to obtain an injunction. This prevents further violation of the order by the person enjoined.

(2) Civil action to obtain triple damages. If the prosecution is successful, the offender is required to pay three times the value of the product shipped in violation of the order.

(3) Criminal action to obtain conviction. If convicted, the offender may be fined not less than $50 and not more than $500 for each violation. Each day that the violation continues may be considered a separate violation.

Q. How can a marketing order be terminated?

A. A marketing order can be terminated at any time by the Secretary of Agriculture upon a determination that the order no longer achieves the declared policy of the Agricultural Marketing Agreement Act, as amended. The Secretary also is required to terminate any marketing order whenever at least one-half of the producers or those who produce at least one-half of the commodity regulated request that the order be terminated.

Q. How many milk-marketing orders are effective now (March 1949)?

A. Thirty—in the following areas: Boston, Chicago, Chicago-Suburban, Cincinnati, Cleveland, Clinton (Iowa), Columbus, Dayton-Springfield, Dubuque, Duluth-Superior, Fall River, Fort Wayne, Kansas City, South Bend-La Porte (Ind.), Louisville, Lowell-Lawrence, Nashville, New Orleans, New York, Omaha-Council Bluffs, Paducah, Philadelphia, Quad Cities (Davenport, Iowa, and Rock Island, Moline, and East Moline, Ill.), Sioux City, St. Louis, Toledo, Topeka, Tri-State (certain cities and towns in Ohio, Kentucky, and West Virginia at the juxtaposition of those States), Minneapolis-St. Paul, and Wichita.

Q. What are the general characteristics of all milk-marketing orders?

A. In general, each milk-marketing order provides for an agency to administer the terms of the order, defines the marketing area to which the order applies, establishes minimum producer prices according to the use made of the milk by the handlers, and provides for a method of distributing among producers the total receipts from milk sales to handlers.

Q. Who administers milk-marketing orders?

A. Each market has a Federal milk-market administrator, appointed by the Secretary of Agriculture. An administrator, however, may handle more than one market. For example, the administrator of the Chicago milk-marketing order also administers the Chicago-Suburban milk-marketing order.

Q. What is the "marketing area" to which the order applies?

A. It is the area within which any person who sells milk received from producers (as defined in the order) becomes a handler and is subject to the order. This area is precisely defined in each order.

Q. What are the advantages of "use classification" under milk-marketing orders?

A. The classification of milk according to the use made of the milk by handlers, with minimum prices to producers for each use classification, enables dairy farmers to realize the full value of their milk in disposing of their entire production.

Q. On what basis are producers paid for their milk?

A. In order to reflect in returns to producers the full benefit of the minimum class prices required to be paid by handlers, the program provides for one of two methods for distributing returns to the farmers who supplied the milk. This is done either through a market-wide pooling arrangement or through individual handler pools.

Under a market-wide pool, the announced producer price is uniform for all producers in the market inasmuch as it represents a "blend" of the combined class values of all the milk received in the market by all handlers. When individual-handler pools are used, prices received by producers delivering milk to any one handler are uniform as between the producers delivering to that handler, but they may be different from prices received by producers delivering milk to other handlers, depending upon differences in the utilization of milk by the various handlers. Under either type of pooling arrangement the announced producer price is subject to uniform adjustments depending upon the butterfat content or delivery zone for the individual producer.

In some markets, base-rating plans have been used. Under these plans a producer receives one price for a certain part of his milk and a lower price for milk produced in excess of this "base" amount. The "base" amount for an individual producer is usually determined in accordance with his production during the season of low production for the market as a whole. The purpose of a base-rating plan is to encourage more even production by producers at all seasons of the year.

Q. What marketing agreement and order programs are effective for other commodities?

A. Marketing agreement and order programs effective for other commodities in March 1949 include: Grapefruit—California and Arizona; lemons—California and Arizona; oranges—California and Arizona (order only); oranges, grapefruit, and tangerines—Florida; tokay grapes—California; peaches—Colorado; peaches—Georgia; peaches—Utah; Bartlett pears, plums, and Elberta peaches—California; Beurre hardy pears—California; winter pears—Washington, Oregon, and California; fresh prunes—Washington and Oregon; fresh peas and cauliflower—Colorado; Irish potatoes—North Carolina and Virginia; Idaho and Oregon (order only); Colorado; Oregon and California (order only); Michigan, Wisconsin, Minnesota, and North Dakota (order only); eastern South Dakota; and Maine; walnuts—Washington, Oregon, and California.

Q. What area may be included in a marketing agreement or marketing order for commodities other than milk and its products?

A. The Agricultural Marketing Agreement Act requires that any marketing agreement or order for commodities other than milk and its products must be limited to the smallest regional production area practicable.

Q. What type of regulation may be included under a marketing agreement or order for commodities other than milk and its products?

A. (1) **Regulation of quality.**—This is usually accomplished by specifying the grades and sizes of the product that may be shipped to market.

(2) **Regulation of quantity.**—This method of regulation involves the establishment of the quantity of the product that may be shipped to market during any specified period. The total quantity is allocated among all handlers on the basis of past performance of handlers or the amount of product each handler has available for current shipment.

(3) **Reserve pools.**—This involves the establishment of a reserve pool of the product and equitable distribution to all financially interested persons of returns derived from the sale thereof.

(4) **Surplus control.**—This involves determining the extent of a surplus, providing for the control and disposition thereof, and equalizing the burden of surplus elimination among producers and handlers.

(5) **Unfair trade practices.**—A method may be provided for prohibiting unfair methods of competition and unfair trade practices in the handling of the commodities.

(6) **Price posting.**—This involves the requirement that handlers file their selling prices, and such handlers are not permitted to sell

at prices lower than those filed. Handlers may change the prices at any time, but adequate notice must be given.

Q. How is a marketing agreement or marketing order administered for commodities other than milk and its products?

A. All marketing agreements or orders for commodities other than milk and its products provide for a committee of growers or handlers, or both, to administer the terms of the agreement or order. The method of selecting the committee is outlined in the agreement or order. Members of the committee are generally nominated by growers and handlers in the industry and appointed by the Secretary of Agriculture. The term of office, powers, duties, and obligations of the committee are set forth in the marketing agreement or marketing order.

The administrative committee is required to analyze crop and market conditions and recommend to the Secretary of Agriculture the particular type of regulation that is desired and the period of time for which it should be made effective. Such a recommendation is transmitted to the Secretary and, if approved, an appropriate order is issued. This method permits the representatives of the industry to devise the type of regulation which should be made effective for the industry as a whole.

The administrative committee is charged with the duty of investigating and reporting complaints of violation to the Department of Agriculture, which is primarily responsible for the enforcement of a marketing agreement and order. If a violation is discovered, it is investigated and the case turned over to the Department of Justice by the Department of Agriculture.

The scope of activity of the administrative committee is largely a matter for the committee to determine. Under many marketing agreement programs, the committee has seen fit to establish a statistical department, and detailed statistics and shipping information are made available to the industry. The Agricultural Marketing Agreement Act does not specify the precise duties of the administrative committee, but there is reason to believe that the committee may engage in activities for the benefit of the industry, as long as the activities are related to the marketing agreement program.

THE SUGAR PROGRAM

The principal objective of the sugar program, carried on under the Sugar Act of 1948, is to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry. The attainment of this objective—actually it is a double objective—involves the determination of United States consumption requirements and the administration of quotas to regulate imports of sugar produced in foreign areas and marketings of sugar produced in domestic areas, as well as making payments to domestic producers of sugar beets and sugarcane.

A brief consideration of domestic sugar supplies, requirements, and prices will explain why the rather elaborate administrative machinery authorized by the Sugar Act of 1948 is necessary.

The continental United States produces sugar from both sugar beets and sugarcane. Additional quantities of sugar are produced from

sugarcane in Hawaii, Puerto Rico, and the Virgin Islands. The domestic sugar output, produced at a higher cost per unit than in foreign areas, falls far short of meeting the Nation's requirements. To meet total needs, the United States must import from foreign areas, mainly from Cuba and the Philippines, substantial quantities of relatively low-priced sugar.

If the United States permitted sugar from Cuba, the Philippines, and other areas to come into the country in unlimited quantities, consumers, under ordinary circumstances, would benefit from lower prices. But under present wage standards in domestic producing areas, free imports, unless accompanied by an increase in the sugar tariff, would work serious hardships on producers in specialized domestic sugar-producing areas or would tend to force wage reductions on workers in such areas.

QUOTAS

The Sugar Act of 1948 provides a mechanism for steering a course between too much and too little. That mechanism, the quota system, works as follows:

The Secretary of Agriculture, as authorized by the act, determines at the end of each year the consumption requirements of the continental United States for the next year. This determination is not necessarily final, however; it may be changed during the next year as actual requirements change. For example, it was determined originally that 1948 requirements would be 7,800,000 short tons of sugar, raw value. This determination was later changed to 7,500,000 tons, and finally to 7,200,000 tons. It was announced on December 29, 1948, that consumption requirements for 1949 will be 7,250,000 short tons, raw value.

Basic quotas for the five domestic producing areas—domestic beet, mainland cane, Hawaii, Puerto Rico, and the Virgin Islands—total 4,268,000 tons and for the Philippines, 982,000 tons. Additional imports to meet requirements are apportioned on the basis of 98.64 percent to Cuba and 1.36 percent to a group of other foreign countries.

PAYMENTS

Domestic producers of sugar beets receive conditional payments averaging about $2.50 per ton of beets. For producers of sugarcane the payments within the various domestic producing areas range from about 80 cents to $1.50 per ton of cane. The Government, in turn, imposes a special tax of 50 cents per hundredweight of sugar, raw value, on all manufactured sugar from sugar beets or sugarcane either produced in or brought into the continental United States.

QUESTIONS AND ANSWERS

Q. On what basis does the Secretary of Agriculture determine consumption requirements?

A. The Secretary must use as a basis the amount of direct-consumption sugar distributed for consumption in the continental United States during the 12-month period ending October 31 next preceding the calendar year for which the determination is made. The Secretary must also make allowances for deficiency or surplus in inventories, changes in population, and demand conditions and take into consideration the level and trend of consumer purchasing power and the re-

lationship of wholesale sugar prices to the Consumers' Price Index for two periods, that is, the calendar year for which the determination is made and the period January–October 1947. Price control of sugar was in effect during the latter period.

Q. What were program results in 1948?

A. An abundant supply of sugar was available to consumers at all times during the year. Prices did not exceed and, for the most part, were below the final prices that prevailed under wartime controls.

Domestic producers, at the same time, were protected by sugar prices that averaged about 90 percent of the price indicated by the relationship of the wholesale sugar price to the Consumers' Price Index as stated in the Sugar Act.

Q. What is the basis for making conditional payments to producers?

A. Payments under the Sugar Act vary from 80 cents per 100 pounds of sugar produced for the smallest producers to 30 cents per 100 pounds for the largest producers. An element of crop insurance is involved in these payments since partial payments are provided with respect to sugar-beet or sugarcane acreage which is abandoned, or with respect to which there is a deficiency in yield because of drought, flood, storm, freeze, disease, or insect damage.

The payments are conditional, since they are made with respect to production on a farm only in the event the farm has complied with certain conditions specified in the act. These are:

1. That if child labor has been employed on the farm, deductions are made from the payment at the rate of $10 per child-day.
2. That sugar has not been marketed in excess of the proportionate share (acreage allotments) of the farm.
3. That all persons employed on the farm have received wages deemed by the Secretary of Agriculture to be fair and reasonable.
4. That if the producer is also a processor, he has paid prices deemed by the Secretary of Agriculture to be fair and reasonable for all sugar beets or sugarcane purchased from other producers.

Q. Who administers the conditional payments?

A. State and county offices of the Production and Marketing Administration through the use of forms, procedures, instructions, and determinations of the Sugar Branch, PMA.

Q. What did payments total during the 1947 crop year?

A. It is estimated that payments totaled $62,379,600. Payments covered the continental beet and cane areas, Hawaii, Puerto Rico, and the Virgin Islands.

Q. Is a price-support program for sugar in effect in addition to operation of the quota system?

A. No. The quota system gives the Secretary of Agriculture sufficient control to protect producers while, at the same time, protecting consumers.

CONSUMER SUBSIDY PROGRAMS

During the war, and for some time after the war, the CCC made payments on farm commodities or purchased farm commodities for resale at a loss principally to maintain price ceilings established by the Office of Price Administration. These programs enabled the CCC to provide farmers directly or indirectly the additional returns neces-

sary for a high level of production without increasing OPA ceiling prices to consumers and others. The last of these activities, called subsidy programs, came to an end on October 31, 1947, when price ceilings on sugar were terminated.

Table 2 shows the amount and nature of subsidy payments during the period July 1, 1941, to June 30, 1948.

TABLE 2.—*Amount and nature of subsidy payments, cumulative, July 1, 1941, to June 30, 1948*

Commodity	Expenditures July 1, 1941, to June 30, 1948	Nature of subsidy
Milk and dairy products:	*Dollars*	
Dairy production	1, 205, 644, 696	Direct payments to producers on milk and butterfat to compensate for increased costs of feed and farm labor and to maintain OPA ceiling prices.
Cheddar cheese	67, 633, 569	Payments to manufacturers to support OPA ceiling prices and increase production; manufacturer made pro-rata distribution to milk producers.
Fluid milk	38, 130, 231	Payments to milk handlers in milk shortage areas in compensation for increased prices paid producers and so to maintain OPA ceiling price.
Total milk and dairy products.	1, 311, 408, 496	
Grain and pulses:		
Wheat—		
For feed	238, 412, 310	Sale of CCC-owned wheat at parity price for corn for use as feed.
For alcohol	22, 700, 000	Sale of surplus wheat at parity price for corn to relieve industrial alcohol shortage.
Total wheat	261, 112, 310	
Beans, dry edible	12, 954, 454	Payments to dealers on eligible beans in an amount equal to the difference by which the applicable support price exceeded the processor ceiling price.
Corn—		
For alcohol	[1] 4, 400, 000	Sale of CCC-owned corn at prices based on ethyl alcohol prices to encourage production of industrial alcohol.
Purchase and shelling.	3, 619, 664	To make corn available to manufacturers of essential war materials.
Importation	2, 105, 372	To relieve importers of import duties.
Ceiling price adjustment.	1, 535, 679	To equalize OPA ceiling prices on Midwest and eastern seaboard corn to be used for feed.
Total corn	11, 660, 715	

[1] Estimated.

TABLE 2.—*Amount and nature of subsidy payments, cumulative, July 1, 1941, to June 30, 1948*—Continued

Commodity	Expenditures July 1, 1941, to June 30, 1948	Nature of subsidy
Grain and pulses—Continued	*Dollars*	
Millfeed price support.	138, 118	Payments to millers on millfeed to prevent rise in flour and bread prices.
Barley for feed	6, 994	To obtain feed for deficit areas by purchase of malting barley from maltsters and resale at barley feed prices.
Total grain and pulses.	285, 872, 591	
Fruits and vegetables:		
Vegetables for processing.	86, 490, 622	Payments to canners to compensate for increased raw material and production costs and so to maintain OPA ceiling prices.
Fruits for processing.	75, 001, 372	Payments to packers and processors to compensate increased raw material and production costs and so to maintain OPA ceiling prices.
Vegetables, frozen	3, 560, 784	Payments to freezers to compensate for increased raw material and production costs and so to maintain OPA ceiling prices.
Apple freight equalization.	3, 229, 718	Payments to shippers to encourage distribution to deficit areas.
Pear freight equalization.	142, 237	Payments to shippers to encourage distribution to deficit areas.
Total fruit and vegetables.	168, 424, 733	
Oilseeds and products:		
Soybeans	98, 127, 521	Subsidy to processors of soybean oil by purchase and resale operation; purchase at basic support price and resale on oil content values.
Peanut butter	19, 472, 701	To enable OPA to effectuate a reduction in the price of peanut butter.
Vegetable oils and meals.	6, 903, 824	Payments to processors for difference in support price and OPA ceiling to encourage manufacture of meals.
Peanuts	6, 191, 337	Payments to crushers utilizing inferior grade peanuts in conversion to oil.
Shortening	1, 917, 901	Payments to manufacturers of shortening to adjust for increase in cost of drums.
Flaxseed	393, 714	Payments to producers for difference in support price and OPA ceiling prices.
Total oilseeds and products.	133, 006, 998	

TABLE 2.—*Amount and nature of subsidy payments, cumulative, July 1, 1941, to June 30, 1948*—Continued

Commodity	Expenditures July 1, 1941, to June 30, 1948	Nature of subsidy
	Dollars	
Sugar	115, 431, 522	Purchase and sale of Puerto Rican and foreign sugar crops to insure supply; payments to processors and refiners of cane and beets to obtain maximum production; also to encourage equitable distribution by payment of transportation costs.
Livestock production and meat:		
Sheep and lamb production.	43, 237, 326	Payments to producers and feeders on a live-weight basis for animals sold for slaughter to encourage feeding to heavier weights.
Beef production	36, 902, 552	Payments to producers and feeders on a live-weight basis for animals sold for slaughter to encourage feeding to heavier weights.
Pork production	330	Bonus payments to packers who delivered up to 60 percent of total production to CCC under contract.
Total livestock production and meat.	80, 140, 208	
Beverages:		
Coffee	7, 217, 528	Payment of excess shipping costs to importers over OPA ceiling prices.
Cocoa	101, 939	Payment of excess shipping costs to importers over OPA ceiling prices.
Total beverages.	7, 319, 467	
Miscellaneous:		
Hay for dairymen	2, 498, 942	To pay cooperatives excess costs over sales prices under a program to move hay for dairy herd feeding to drought stricken areas.
Phosphate fertilizer	89, 344	Payments to Agricultural Adjustment Administration for purchase and transportation costs in excess of sales price.
Total miscellaneous.	2, 588, 286	
Grand total	2, 104, 192, 301	

RECONSTRUCTION FINANCE CORPORATION SUBSIDIES

The Defense Supplies Corporation—a war subsidiary of the Reconstruction Finance Corporation—also allowed or paid subsidies on certain agricultural products. The amounts of these subsidies, from July 1, 1943, to June 30, 1948, classified according to type, were as follows:

Type of subsidy:	*Dollars*
Livestock, to slaughterers	1, 547, 749, 694
Flour, to millers	347, 933, 431
Butter, to creameries	181, 617, 850
Sugar, to transportation agencies	25, 011, 274
Coffee, to distributors	40, 654, 662
Total	2, 142, 966, 911

THE SUPPLY PROGRAM

(Not a price program of the United States Department of Agriculture)

The Department of Agriculture, after the passage of the Lend-Lease Act in March 1941, was given the emergency assignment of procuring large quantities of food and other agricultural commodities for war purposes. With the entry of this country into the war in December 1941, operations were expanded to include procurement for the Allies, the armed forces, and the Territories of the United States. Since the end of the war, the Department's Commodity Credit Corporation, using the personnel and facilities of the Production and Marketing Administration, has continued procurement operations to meet urgent requirements of war-torn areas abroad. Supply-program purchases totaled $1,291,000,000 during the fiscal year 1948.

In the main, procurement operations of the CCC under its so-called supply program fall into four general categories: (1) Procurement for other Government agencies, principally the Economic Cooperation Administration, which is in charge of the European Recovery Program (the Marshall Plan), and for the Department of the Army, which administers civilian-feeding programs in occupied areas of Europe and the Far East; (2) procurement for foreign governments, some of which are anxious to centralize purchasing operations within the United States; (3) procurement for international relief organizations, such as the International Children's Emergency Fund and the Red Cross; and (4) procurement or aiding in procurement of supplies and facilities needed by farmers to facilitate production and marketing of agricultural commodities.

The following discussion shows how the CCC's supply program fits into the over-all agricultural export program carried on by the United States.

ALLOCATION

Several commodities are under export allocation; that is, the Government establishes total export quotas and directs exports to specific destinations. On the allocation list in March 1949 were the following agricultural commodities: Wheat, flour, corn, oats, barley, grain sorghums, certain protein feeds, rice, meat and meat products, and field seeds, such as red clover, alsike clover, vetch, and Austrian winter peas.

Requirements of importing nations and supplies of exporting nations are analyzed by the International Emergency Food Committee, composed of representatives of 37 countries including the United States, and form the basis for recommendations to each member government concerning distribution of available exportable supplies.

Interagency committees, composed of representatives of the Department of Agriculture, Department of State, Department of Commerce, Department of the Army, and the Economic Cooperation Administration, utilize information obtained from the International Emergency Food Committee and other sources in preparing periodic recommended allocations of United States supplies. These recommendations are submitted to the Secretary of Commerce for approval.

If the allocations are approved, the Office of International Trade, United States Department of Commerce, issues export licenses against the allocations. This export-licensing procedure assures the distribution of exports in accordance with the allocations.

Some agricultural commodities not under allocation may be shipped in any quantity to any destination without license. But many agricultural commodities not under allocation are subject to export control by the Office of International Trade, the degree of control depending largely upon the commodity and the proposed destination.

PROCUREMENT

The procurement of allocated and nonallocated commodities for foreign-supply purposes is handled by (1) the commercial export trade, and (2) the Government. Government procurement, in turn, is handled by two agencies—the Commodity Credit Corporation and the Department of the Army.

To avoid duplication, the Department of the Army is now (March 1949) responsible for the domestic procurement of whale oil, fish, dry breakfast cereals, soya flour, and lard (with the exception of lard purchased for the International Children's Emergency Fund). The CCC is responsible for the procurement of all other commodities required for supply purposes which are not currently being procured through commercial channels.

In making its purchases under the supply program, the CCC utilizes the personnel and facilities of the Production and Marketing Administration. The CCC, with the cooperation of PMA, also handles shipping and storage functions from interior points to seaports and assists in arranging for ocean transportation in a few instances.

FINANCING

The CCC carries on all its supply operations on a "cash-and-carry basis." When the CCC buys on behalf of foreign governments, the foreign governments deposit funds in advance to assure payment. When the CCC buys for the Department of the Army or the Economic Cooperation Administration, those agencies reimburse the CCC through a transfer of funds. Thus, the CCC sustains no net losses on its supply program.

RELATIONSHIP BETWEEN SUPPLY PROGRAM AND PRICE PROGRAMS

The supply program, of course, is not a price program of the Department of Agriculture. The fundamental purpose of the program is to meet urgent requirements from abroad for food and other agri-

cultural commodities—not to support or enhance prices. This was demonstrated in 1946 and again in 1947 when, with prices received by farmers for most commodities holding well above the parity level, the United States still maintained a heavy volume of exports.

At the same time, the purchase of large quantities of agricultural commodities does affect prices, just as operations under the price-support, section 32, marketing agreement and order, national school lunch, and sugar programs affect prices. Consequently, operations under the supply program must dovetail as closely as possible with operations under the price programs.

The close economic relationship between the supply program and price programs was recognized by Congress in the Foreign Assistance Act of 1948—which authorizes the carrying out of the Marshall Plan. Section 112 (e) of that act provides that—

> Whenever the Secretary of Agriculture determines that any quantity of any surplus agricultural commodity, heretofore or hereafter acquired by Commodity Credit Corporation in the administration of its price-support programs, is available for use in furnishing assistance to foreign countries, he shall so advise all departments, agencies, and establishments of the Government administering laws providing for the furnishing of assistance or relief to foreign countries. * * * Thereafter the department, agency, or establishment * * * shall, to the maximum extent practicable, * * * procure or provide for the procurement of such quantity of such surplus agricultural commodity.

The channeling of many commodities acquired under the price-support program to use under the supply program had been a policy of the CCC prior to passage of the Foreign Assistance Act of 1948, however.

Supply-program and price-program operations frequently can be tied together in other ways. In some instances, when supply-program requirements for a commodity are known, it is possible to make purchases during the season of flush or heavy production, when prices are usually at their lowest point. This conserves funds of agencies administering foreign-aid programs and of foreign governments; at the same time, the purchases for supply may make purchases for price support unnecessary. The procurement of supplies during the peak production period has been used to advantage some years in the case of American cheese, dried milk, and dried eggs.

It has been the policy of all Government agencies administering foreign-relief programs to purchase more of the commodities that are most abundant and lowest in price and less of the commodities that are least abundant and highest in price. (Potatoes, difficult to export because of their perishability, are an exception to this general rule.) During the fiscal year 1948, for example, wheat was abundant and exports, in terms of grain and grain equivalent, reached the record high total of 13,018,000 long tons. But meat was scarce and high-priced; exports totaled only 68,000 long tons. The heavy exports of wheat and wheat products had no serious effect on the economy of the United States. But heavy exports of meat, at a time meat was scarce and expensive, would have brought about further increases in prices of meat and would have weakened public support of the foreign-aid program. Then, too, importing nations are anxious to make their food dollars stretch as far as possible. Foods such as wheat provide low-cost calories, whereas foods such as meat—at current price levels—provide expensive calories.

PARITY IN 1949

"Parity," as applied to prices of agricultural commodities, is defined in the Agricultural Adjustment Act of 1938 as "that price for the commodity which will give to the commodity a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of such commodity in the base period; and, in the case of all commodities for which the base period is the period August 1909 to July 1914, which will also reflect current interest payments per acre on farm real estate, tax payments per acre on farm real estate, and freight rates, as contrasted with such interest payments, tax payments, and freight rates during the base period."

The parity price is the price of the commodity which gives the commodity the same purchasing power it had in the base period—a period adopted as an equitable standard. For example, if the price of wheat is 90 percent of parity, a farmer is able to buy with a truckload of wheat 10 percent less of 175 items used for living and production than he was able to purchase with a truckload of wheat during the base period. Conversely, if the price of wheat is 110 percent of parity, the farmer is able to buy with his truckload of wheat 10 percent more of these items than during the base period.

The 175 items used in living and production include food, men's and women's clothing, supplies, furniture and furnishings, motor vehicles, building materials, feed, farm machinery, fertilizer, equipment, and seed.

QUESTIONS AND ANSWERS

Q. What is the base period for most major agricultural commodities?

A. August 1909–July 1914.

Q. Why was this base period selected?

A. (1) It was free from major economic and political disturbances; (2) agriculture and the nonagricultural industries were relatively prosperous; (3) price levels were relatively stable throughout the period; and (4) prices of most major products farmers sold were considered to be in a fair relationship with prices of the items that farmers bought.

Q. Are there other base periods?

A. Yes, because some commodities either were not produced and marketed in significant quantities during 1909–14, or the conditions of production and marketing have so changed that the 1909–14 period cannot be looked upon as a normal base for them.

The base period for potatoes is August 1919–July 1929; and this base period, *or some portion thereof*, is used for any other commodity when the purchasing power during the 1909–14 period cannot be satisfactorily determined—a provision that has been used for determining base-period prices for a large number of fresh fruits and vegetables.

For all types of tobacco, except burley, flue-cured and Maryland, the base period is August 1919–July 1929. For burley and flue-cured tobaccos, the base period is August 1934–July 1939. For Maryland tobacco, the base period is August 1936–July 1941.

Q. How are base-period prices determined?

A. For commodities on the 1909–14 base, base-period prices are determined by averaging *monthly* prices over the period. For com-

modities on other bases, base-period prices are usually averages of season average prices.

Q. Is any allowance made for such factors as class, grade, and location in determining base-period prices?

A. Unless otherwise specified, the base-period price is the average price for all classes and grades of the commodity as sold by all farmers in the United States.

Q. What are average base-period prices for some of the more important farm commodities?

A. Average base-period prices, August 1909–July 1914:

Commodity and unit:	*Base-period price Dollars*
Wheat, per bushel	0.884
Rye, per bushel	.720
Rice, rough, per bushel	.813
Corn, per bushel	.642
Oats, per bushel	.399
Barley, per bushel	.619
Sorghums, grain, per hundredweight	1.21
Hay, per ton	11.87
Cotton, per pound	.124
Cottonseed, per ton	22.55
Peanuts, per pound	.048
Flaxseed, per bushel	1.69
Sweetpotatoes, per bushel	.878
Beans, dry edible, per hundredweight	3.37
Apples, per bushel	.96
Hogs, per hundredweight	7.27
Beef cattle, per hundredweight	5.42
Lambs, per hundredweight	5.88
Wool, per pound	.183
Butterfat, per pound	.263
Milk, wholesale, per hundredweight	1.60
Chickens, live, per pound	.114
Turkeys, live, per pound	.144
Eggs, per dozen	.215
Average base-period prices, August 1919–July 1929 (10-season averages, 1919–28):	
Potatoes, per bushel	1.12
Tobacco, dark air-cured, Type 35–36, per pound	.109
Tobacco, sun-cured, Type 37, per pound	.146
Grapefruit, per box (on-tree returns, all sales)	1.25
Oranges, per box (on-tree returns, all sales)	2.29
Average base-period prices, August 1934–July 1939 (5-season averages, 1934–38):	
Tobacco, flue-cured, Type 11–14, per pound	.229
Tobacco, burley, Type 31, per pound	.222
Average base-period price, August 1936–July 1941 (5-season averages 1936–40):	
Tobacco, Maryland, Type 32, per pound	.230

Q. How are parity prices computed?

A. Suppose the problem is to determine the parity price of wheat for October 15, 1948. Wheat has an August 1909-July 1914 base-period price. That price, 88.4 cents per bushel, is multiplied by 249—the October 15, 1948, index of prices paid, including interest and taxes (1910–14=100)—and the result divided by 100. The total calculation rounds to 220 cents, or $2.20 per bushel—the October 15, 1948, parity price.

In the case of commodities having August 1919–July 1929 base-period prices, the parity price is computed by multiplying the base-

period price by the current index of prices paid, not including interest and taxes, converted to an August 1919–July 1929 base.

Similarly, when it comes to prices having August 1934–July 1939 base-period prices, parity prices are calculated by multiplying the base-period price by the current index of prices paid, not including interest and taxes, converted to an August 1934–July 1939 base.

For Maryland tobacco, which has an August 1936–July 1941 base-period price, parity prices are calculated by: (1) Converting the current index of prices paid, not including interest and taxes (1910–14=100), to a new base (August 1936–July 1941=100)—by dividing by the conversion factor 1.25—and then (2) multiplying the base-period price by the new index number.

Q. What are "comparable" prices?

A. Section 4 (a) of the Act of July 1, 1941 (the Steagall Amendment), provides that comparable prices shall be determined if the production or consumption of a commodity "has so changed in extent or character since the base period as to result in a price out of line with parity prices for basic commodities." Comparable prices are calculated for dry field peas and soybeans for oil.

The comparable price for soybeans as of October 15, 1948, was calculated as follows:

1. The monthly average price of soybeans for the "comparable" period, August 1934–July 1939, was 98 cents per bushel.

2. The monthly average price of soybeans, 98 cents, was divided by the factor 0.79 to obtain an indicated average comparable price of $1.24 per bushel for the period August 1934–July 1939.

(The factor 0.79 represents the relationship of prices of the six basic commodities to parity prices during the period August 1934–July 1939.)

3. The indicated average comparable price of $1.24 per bushel was divided by the factor 1.29 to obtain a derived base-period price of 96 cents per bushel for computing the comparable price under the Steagall Amendment.

(The factor 1.29 represents the average of the index of prices paid during the period August 1934–July 1939.)

4. The derived base-period price of 96 cents was multiplied by 249, the October 15, 1948, index of prices paid, including interest and taxes. The result of this multiplication, divided by 100, was $2.39—the October 15, 1948, comparable price of soybeans.

Calculations for dry field peas were made in the same manner.

Q. Are parity prices computed for individual States?

A. No. Parity prices apply to the average of all classes and grades of the commodity as sold by all farmers in the United States. However, special parity prices are calculated from time to time for commodities produced in certain areas where such commodities are covered by a marketing agreement or order program under the Agricultural Marketing Agreement Act of 1937.

Q. Are average prices received by farmers ever adjusted for seasonal variation?

A. Yes. Monthly average prices received by farmers for eggs, butterfat, and milk (wholesale) are published both unadjusted and adjusted for seasonal variation. This adjustment is made by dividing the average price received by farmers for these commodities each

month by the appropriate index of seasonal price variation, as shown in table 3, and multiplying by 100.

Q. What is the index of prices paid?

A. It is a measure of over-all changes that occur in the level of prices paid by farmers and their families for commodities used in living and farm production. The index is based upon prices for 86 items used in family living and 89 items used in farm production. Most commodity prices are obtained quarterly in March, June, September, and December from several thousand independent retail merchants serving the farm population in all parts of the Nation. In addition, estimates are made each month for many commodities, principally on the basis of reports from feed dealers and chain stores. Seed prices are surveyed monthly during the spring selling season and once in the fall. Fertilizer prices are collected semiannually, spring and fall. Automobile price inquiries are made at irregular intervals to reflect the announcement of changes in suggested retail prices by manufacturers.

TABLE 3.—*Indexes of seasonal price variation for eggs, butterfat, and milk (wholesale)* [1]

[Annual averages for selected periods=100]

Commodity	July	Aug.	Sept.	Oct.	Nov.	Dec.
Eggs	95	100	107	116	119	121
Butterfat	93. 4	95. 1	99. 4	103. 2	106. 2	109. 5
Milk (wholesale)	93. 0	98. 0	103. 0	106. 7	110. 1	109. 4

Commodity	Jan.	Feb.	Mar.	Apr.	May	June
Eggs	104	91	88	85	86	88
Butterfat	103. 9	102. 5	101. 5	99. 0	94. 7	91. 6
Milk (wholesale)	105. 9	102. 7	98. 4	93. 8	90. 0	89. 0

[1] For eggs: Based on the average variation for the 5 years, 1943–47. For the July 1949–June 1950 period, the indexes for eggs will be based on the average variation for the 5 years, 1944–48. For butterfat and milk: Based on the average variation for the 20 years, 1922–41.

Q. How is the index of prices paid calculated?

A. The various steps are as follows:

1. Prices paid for individual commodities are averaged for individual States and then weighted by the latest available estimate of purchases of each commodity by farmers in each State to obtain an average for the Nation.

2. National average prices are combined into various subindexes—such as food, clothing, feed—by giving each item a weight based upon the average quantity purchased per farm family or per farm during the 6 years, 1924–29. The subgroup values or aggregates thus obtained are then expressed as a percentage of the values or aggregates for the same commodity groups during the base period 1910–14.

3. The subindexes are then combined into an index of prices paid

for commodities used for family living and an index of prices paid for commodities used in farm production. These two indexes are then combined into a single over-all index of prices paid by farmers for commodities by weighting each according to its relative importance with regard to farm expenditures during the 6 years 1924–29.

Q. How is the index of prices paid, including interest and taxes, calculated?

A. The index of prices paid by farmers for commodities is combined with interest per acre on mortgage indebtedness secured by farm real estate and taxes per acre on farm real estate to obtain the index of prices paid, including interest and taxes, by giving prices paid for commodities a weight of 86.0 percent; interest, 7.2 percent; and taxes, 6.8 percent.

The index of prices paid, including interest and taxes, was 249 on October 15, 1948. That means that farmers, on October 15, 1948, were paying out for items used in living and production, interest, and taxes 2.49 times as much as during the 5 years 1910–14.

Q. Why are freight rates not given a weight in the index, inasmuch as freight rates are included in the legal definition of parity?

A. Retail prices paid by farmers for items used for living and production include freight costs. Thus, changes in prices paid by farmers already reflect changes in freight rates.

Q. What are the items, and their relative importance (weight), included in the index of prices paid by farmers?

A. See the following paragraphs:

Eighty-six Commodities Used in Living—Weight 48.60

Food (22 items—weight 17.50): Flour, corn meal, rice, rolled oats, white bread, round steak, pork loin, sliced bacon, butter, American cheese, apples, bananas, oranges, lemons, raisins, coffee, tea, lard, sugar, salt, soda, vinegar.

Clothing (17 items—weight 14.80): *Men's clothing:* Wool suits, wool trousers, canvas gloves, overalls, cotton work shirts, undershirts or shorts, cotton union suits, cotton work socks, work shoes, rubber boots, felt hats. *Women's clothing:* House dresses, muslin, percale, rayon step-ins or panties, rayon hose, shoes.

Supplies (11 items—weight 6.80): Hard coal, soft coal, kerosene, wood, gasoline, motor oil, automobile tires, laundry soap, toilet soap, laundry starch, brooms.

Furniture and furnishings (21 items—weight 2.90): Bleached cotton toweling, medium-quality sheets, cotton comforters, cotton blankets, oak dining-room chairs, Axminster rugs, felt-base rugs, kitchen cabinets, living-room suites, dining-room tables, metal bedsteads, dressers, all-felted cotton mattresses, sagless bedsprings, foot-operated sewing machines, electric-power washing machines, gasoline-motor washing machines, copper-bottom wash boilers, kitchen ranges, dinner plates, fruit jars.

Motor vehicles (1 item—weight 3.00): Automobiles.

Building materials for the house (14 items—weight 3.60): 2 by 4 by 16's, rough boards, yellow-pine flooring, shiplap, bevel siding, doors, gypsum lath, clear wood shingles, windows, common brick, portland cement, nails, ready-mixed paints, wire screening.

Eighty-nine Commodities Used in Production—Weight 37.40

Feed (12 items—weight 10.10): Alfalfa hay, corn, oats, corn meal, bran, middlings, corn gluten, cottonseed meal, linseed meal, tankage, commercial mixed dairy feed, stock salt.

Farm machinery (27 items—weight 4.20): 1-horse walking plow, 2-horse walking plow, 2-bottom tractor-drawn plow, disk harrow, spike-tooth harrow, spring-tooth harrow, 12-tube grain drill, 1-row corn or cotton planter, 2-row check corn planter, 1-horse walking cultivator, 1-row riding cultivator, 2-row tractor-drawn cultivator, mower, self-dump sulky rake, side-delivery rake, hay loader, combine, corn binder, ensilage cutter, potato digger, manure spreader, rubber-tired farm truck, farm wagon, wagon box, gas engine, hammer mill, cream separator.

Motor vehicles (3 items—weight 5.70): Automobiles, trucks, tractors.

Fertilizers (7 items—weight 3.20): Mixed fertilizers (4–12–4), mixed fertilizers (2–12–6), superphosphate, muriate of potash, nitrate of soda, sulphate of ammonia, ground limestone.

Building materials (19 items—weight 5.90): 2 by 4 by 16's, rough boards, shiplap, drop siding, wood shingles, barn windows, composition roofing, galvanized-steel roofing, nails, steel fence posts, galvanized barbed wire, poultry netting, galvanized-iron gates, common brick, portland cement, wood fence posts, ready-mixed paint, lift pumps, windmills.

Equipment and supplies (14 items—weight 6.90): Pitchforks, hoes, milk cans, milk pails, lead arsenate, manila rope, binder twine, horse collars, bushel baskets, galvanized-iron pipe, gasoline for automobiles and trucks, kerosene, motor oil, automobile tires.

Seed (7 items—weight 1.40): Cottonseed, seed potatoes, red clover seed, sweetclover seed, alfalfa seed, timothy seed, bluegrass seed.

Table 4.—*Factors for converting the index of prices paid by farmers from the 1910–14 base period to a specified base period, United States*

Base period	Crop seasons usually included [1]	Conversion factor
August 1919–July 1929	1919–28 and 1920–29	Divide by 1.60
August 1920–July 1929	1920–28 and 1921–29	Divide by 1.55
August 1922–July 1929	1922–28 and 1923–29	Divide by 1.54
August 1923–July 1929	1924–29	Divide by 1.54
August 1924–July 1929	1924–28	Divide by 1.55
August 1925–July 1929	1925–28	Divide by 1.54
August 1926–July 1929	1926–28	Divide by 1.54
August 1927–July 1929	1927–28 and 1928–29	Divide by 1.54
August 1934–July 1939	1934–38	Divide by 1.25
August 1936–July 1941	1936–40	Divide by 1.25
January 1920–December 1928	1920–28	Divide by 1.58
January 1922–December 1928	1922–28	Divide by 1.53
January 1923–December 1928	1923–28	Divide by 1.54

[1] The 1929 seasons are included for some crops for which the bulk of the harvest is marketed prior to Aug. 1. The average of these season average prices provides as satisfactory an estimate of the United States average prices for the specified base periods as can be obtained.

Q. How is the index of prices paid (not including interest and taxes) converted from the 1910–14 base to other base periods?

A. See table 4.

Q. What is the parity ratio?

A. The parity ratio reflects the prosperity (or lack of prosperity) of farmers in relation to a definite base period. When the parity ratio is substantially over 100, farmers in general are in a favorable economic position. When the ratio is well below 100, the reverse is true. The ratio is derived by dividing the index of prices received by farmers by the index of prices paid by farmers, including interest and taxes, and multiplying by 100.

Table 5 shows the relationship of these factors during the period 1910–48.

TABLE 5.—*Index numbers of prices paid by farmers, including interest and taxes, and the ratio of prices received to prices paid, including interest and taxes (the parity ratio), United States, 1910–48*

[1910–14=100]

Year	Prices paid, including interest and taxes	Prices received [1]	Parity ratio	Year	Prices paid, including interest and taxes	Prices received [1]	Parity ratio
1910	96	102	106	1930	160	128	80
1911	100	94	94	1931	141	90	64
1912	100	99	99	1932	124	68	55
1913	102	102	100	1933	120	72	60
1914	102	101	99	1934	129	90	70
1915	107	99	93	1935	130	109	84
1916	125	118	94	1936	127	114	90
1917	148	175	118	1937	133	122	92
1918	173	204	118	1938	126	97	77
1919	198	215	109	1939	124	95	77
1920	202	211	104	1940	125	100	80
1921	165	124	75	1941	132	124	94
1922	164	132	80	1942	150	159	106
1923	167	143	86	1943	162	192	119
1924	167	143	86	1944	169	195	116
1925	169	156	92	1945	172	202	117
1926	168	146	87	1946	193	233	121
1927	166	142	86	1947	231	278	120
1928	168	151	90	1948	249	287	115
1929	167	149	89				

[1] Base period August 1909–July 1914=100.

Q. Where can current information on prices, price indexes, and related factors be obtained?

A. This information is contained in the monthly report, Agricultural Prices, issued by the Bureau of Agricultural Economics about the 29th of each month.

The report contains information on average prices received and paid by farmers as of the 15th of the month; parity prices; indexes of prices received and paid; the parity ratio; and special information on various phases of the price situation.

Q. How can copies of this report be obtained?

A. By writing to the Division of Economic Information, Bureau of Agricultural Economics, U. S. Department of Agriculture, Washington 25, D. C.

PARITY AFTER 1949

Title II of the Agricultural Act of 1948 provides that a new [1] parity-price formula shall become effective on January 1. 1950. Under the new formula, parity prices for individual crops will be computed in such a way as to take into consideration, in addition to the prices in 1910–14 period, average prices for the most recent 10-year period. Parity prices of most livestock items will be increased by the new formula but parity prices of many important field crops will be decreased.

The act provides that parity prices for individual commodities through use of the new formula shall not drop more than 5 percent per year from what they would have been under the present formula. And the Secretary of Agriculture may, after a public hearing, put into effect for particular commodities a revised method of calculating parity if the parity price as provided for under the new formula appears to be seriously out of line with parity prices for other commodities.

The 1910–14 period will be retained as a base for computing the over-all relationship between prices received by farmers and prices paid by farmers, including interest and taxes.

QUESTIONS AND ANSWERS

Q. How are parity prices computed under the new formula?

A. The parity price for an agricultural commodity is determined by dividing the average price received by farmers for that commodity during the preceding 10 calendar years (or during the 10 marketing seasons beginning within this period) by the index of prices received by farmers for all commodities during the same period to obtain an "adjusted base price." This adjusted base price is then multiplied by the current index of prices paid, interest, and taxes (1910–14=100) to obtain the current parity price.

The October 15, 1948, parity price for wheat, under the new formula, would be calculated as follows:

(1) The average price received by farmers for wheat during the period January 1938–December 1947 was $1.22 per bushel.

(2) This price is divided by the 1938–47 average of the index of prices received by farmers—168—to obtain an adjusted base price of $0.726 per bushel.

(3) The adjusted base price of $0.726 is multiplied by the index of prices paid, including interest and taxes, 249, to obtain the current parity price of $1.81 per bushel.

Comparisons between parity prices as now computed and as they will be computed after January 1, 1950, are shown in table 6.

Q. What are transitional parity prices?

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[1] For the purpose of this discussion the parity-price formula based on the Agricultural Act of 1948 is called the new formula. The formula now in use, which is based on the legal provision of the Agricultural Adjustment Act of 1938, as amended, and the Agricultural Marketing Agreement Act of 1937, is referred to as the *present* parity formula.

TABLE 6.—*Prices received by farmers, parity prices according to present formula, and parity prices according to provisions of the Agricultural Act of 1948 (assuming the act went into effect January 1, 1949), United States, January 15, 1949*

Commodity and unit	Simple average 1939–48 (1)	Adjusted to 1909–14 level [1] (2)	Jan. 15, 1949: Parity prices: Agricultural Act of 1948 [2] (3)	Transitional [3] (4)	Present formula (5)
	Dollars	*Dollars*	*Dollars*	*Dollars*	*Dollars*
Wheat..........bushel..	1. 37	0. 737	1. 83	2. 08	2. 19
Rye..........do....	1. 11	. 597	1. 48	1. 70	1. 79
Rice, rough..........do....	1. 66	. 892	2. 21	--------	2. 02
Corn..........do....	1. 09	. 586	1. 45	1. 51	1. 59
Oats..........do....	. 619	. 333	. 826	. 940	. 990
Barley..........do....	. 914	. 491	1. 22	1. 46	1. 54
Sorghums, grain hundredweight..	1. 76	. 946	2. 35	2. 85	3. 00
Hay..........ton..	12. 80	6. 88	17. 10	27. 90	29. 40
Cotton..........pound..	. 2047	. 1101	. 2730	. 2921	. 3075
Cottonseed..........ton..	50. 70	27. 30	67. 70	--------	55. 90
Soybeans..........bushel..	1. 89	1. 02	2. 53	--------	2. 38
Peanuts..........do....	. 0685	. 0368	. 0913	. 113	. 119
Flaxseed..........do....	3. 20	1. 72	4. 27	--------	4. 19
Potatoes [4]..........do....	1. 18	. 634	1. 57	1. 75	1. 84
Sweetpotatoes..........do....	1. 69	. 909	2. 25	--------	2. 18
Beans, dry edible hundredweight..	6. 30	3. 39	8. 41	--------	8. 36
Peas, dry field..........do....	4. 15	2. 23	5. 53	--------	5. 18
Apples..........bushel..	1. 95	1. 05	2. 60	--------	2. 38
Hogs..........hundredweight..	14. 00	7. 53	18. 70	--------	18. 00
Beef cattle..........do....	12. 50	6. 72	16. 70	--------	13. 40
Veal calves..........do....	14. 00	7. 53	18. 70	--------	16. 70
Sheep..........do....	6. 31	3. 39	8. 41	10. 64	11. 20
Lambs..........do....	13. 40	7. 20	17. 90	--------	14. 60
Butterfat..........pound..	. 496	. 267	[5] . 688	--------	[5] . 677
Milk, wholesale hundredweight..	3. 12	1. 68	[5] 4. 41	--------	[5] 4. 20
Chickens, live..........pound..	. 218	. 117	. 290	--------	. 283
Turkeys, live..........do....	2. 69	. 145	. 360	--------	. 337
Eggs..........dozen..	. 339	. 182	[5] . 469	[5] . 526	[5] . 554
Wool..........pound..	. 378	. 203	. 503	--------	. 452

NOTE.—The parity prices according to the Agricultural Act of 1948 and the transitional parity prices are illustrations only. They are based on price data for the years 1939–48. This formula is scheduled to become effective Jan. 1, 1950, and at that time calculations will be based on data for the years 1940–49.

[1] Column (1) divided by 1939–48 index of prices received by farmers (1.86).

[2] Prices in column (2) multiplied by Jan. 15, 1949, index of prices paid by farmers, including interest and taxes (2.48).

[3] Assuming the Agricultural Act of 1948 went into effect Jan. 1, 1949, transitional parity prices would be 95 percent of the present parity in those cases where that is higher than parity prices according to the new formula.

[4] Weighted season average prices for 10 marketing seasons beginning in the period 1939–48.

[5] Adjusted for seasonal variation.

A. Table 6 shows that the parity price of wheat on January 15, 1949, calculated on the basis of the present formula, was $2.19 per bushel, whereas the parity price, if calculated on the basis of the new formula, would be $1.83 per bushel—a drop of 36 cents per bushel. To prevent such sharp drops in parity prices through use of the new formula, Congress provided in the Agricultural Act of 1948 for "transitional parity prices," as shown in col. (4) of table 6. It will be noted that the difference between the parity price of wheat on January 15, 1949, as calculated by the present formula and the transitional parity price on the same date is only 11 cents per bushel.

The transitional parity price of a commodity at any date is the parity price as calculated under the present formula less 5 percent of the parity price so determined, multiplied by the number of full calendar years that have elapsed after January 1, 1949.

A transitional parity price will be used for a commodity until the transitional parity price becomes lower than the parity price as calculated under the new formula.

Q. Can the new method of computing parity be revised?

A. Yes. The Agricultural Act of 1948 provides that "* * * if the parity price for any agricultural commodity * * * appears to be seriously out of line with the parity prices of other agricultural commodities, the Secretary may, and upon the request of a substantial number of interested producers shall, hold public hearings to determine the proper relationship between the parity price of such commodity and the parity prices of other agricultural commodities. Within 60 days after commencing such hearing the Secretary shall complete such hearing, proclaim his findings as to whether the facts require a revision of the method of computing the parity price of such commodity, and put into effect any revision so found to be required." This provision of the act applies both to parity prices as calculated under the new formula and to transitional parity prices.

THE COMMODITY CREDIT CORPORATION

The Commodity Credit Corporation was organized October 17, 1933, under the laws of the State of Delaware, as an agency of the United States. From October 17, 1933, to July 1, 1939, the CCC was managed and operated in close affiliation with the Reconstruction Finance Corporation. On July 1, 1939, the CCC was transferred to the United States Department of Agriculture.

Approval of the Commodity Credit Corporation Charter Act (Public Law 806, 80th Cong.) on June 29, 1948, established the CCC—effective July 1, 1948—as an agency and instrumentality of the United States under a permanent Federal charter.

The new charter authorizes the CCC to: (1) Support the prices of agricultural commodities through loans, purchases, payments, and other operations; (2) make available materials and facilities required in connection with the production and marketing of agricultural commodities; (3) procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies, and to meet domestic requirements; (4) remove and dispose of or aid in the removal or disposition of surplus agricultural commodities; (5) increase the

domestic consumption of agricultural commodities by expanding or aiding in the expansion of domestic markets or by developing or aiding in the development of new and additional markets, marketing facilities, and uses for such commodities; (6) export or cause to be exported, or aid in the development of foreign markets for, agricultural commodities; and (7) carry out such other operations as Congress may specifically authorize or provide for.

In carrying on the purchasing and selling of agricultural commodities (except sales to other Government agencies), and in the warehousing, transporting, processing, or handling of agricultural commodities, the CCC must, to the maximum extent practicable, use the normal channels of trade.

Specific language forbids the CCC to acquire or lease any real property, except that it may rent or lease office space necessary for the conduct of its business and it may continue to lease (by renewing or extending existing leases or entering into new leases) property leased by it on June 29, 1948.

The total of all money borrowed by the CCC, other than trust deposits and advances received on sales, must not exceed $4,750,000,000 outstanding at any one time. The CCC is capitalized at $100,000,000.

The management of the CCC is vested in a five-member board of directors, one member of which is the Secretary of Agriculture. The other four members are appointed by the President of the United States, by and with the advice and consent of the Senate. Only three members of the board may be employees of the CCC or any department or agency of the Federal Government.

Responsibility for the day-to-day conduct of the business of the CCC is vested in a staff of executive officers headed by a chief executive appointed by the board and responsible to the board. Members of the executive staff must devote their full time to the affairs of the CCC.

The CCC may, with the consent of the agency concerned, accept and utilize, on a compensated or uncompensated basis, the officers, employees, services, facilities, and information of any agency of the Federal Government. (In carrying on its operations, the CCC makes wide use of the personnel and facilities of the Production and Marketing Administration.)

The CCC carried on three major programs during the fiscal year 1948: (1) The price-support program; (2) the supply program; and (3) the foreign purchase program, under which needed commodities were purchased from foreign sources. The last commodity operations under the consumer subsidy program (see p. 40) were terminated on October 31, 1947; and only minor activity was carried on under the remaining two minor programs, namely, the commodity export program, authorized by section 21 (c) of the Surplus Property Act of 1944, and loans to the Secretary of Agriculture for conservation purposes (under sec. 391 (c) of the Agricultural Adjustment Act).

The net gain of the CCC for the fiscal year 1948 was $47,504,956, which reflects a charge of $10,294,308 to the Reserve for Postwar Price Support of Agriculture and the recovery of $55,768,386 from the Secretary of the Treasury under Public Laws 389 and 393, Eightieth Congress. Before the restoration through these charges, the operating loss was $18,557,738.

The net loss of the CCC for the period October 17, 1933, to June 30, 1948, was $2,024,616,936 on all operations. Consumer subsidy costs (see pp. 41–43), totaling $2,104,192,301, were largely responsible for this loss record. The net gain from operations other than subsidy operations for the entire period was $135,343,751. This total includes a gain of $79,575,365 on program operations, plus $55,768,386 recovered from the Secretary of the Treasury under Public Laws 389 and 393, Eightieth Congress.

THE PRODUCTION AND MARKETING ADMINISTRATION

The Production and Marketing Administration (PMA) was established in 1945 by bringing together a number of separate Department of Agriculture agencies handling certain activities in the production and marketing fields. In the price field, PMA administers section 32, national school lunch, marketing agreement and order, and sugar programs. PMA also administers programs financed by the CCC, including the price-support and supply programs.

PMA has nine commodity branches—cotton, dairy, fats and oils, fruit and vegetable, grain, livestock, poultry, sugar, and tobacco. These commodity branches are responsible for activities having to do with assigned commodities. For example, the Cotton Branch administers cotton price-support operations for the CCC. It formulates and carries on section 32 cotton programs. It procures cotton for use in foreign relief and rehabilitation programs. It assists in developing production goals for cotton. It collects and disseminates market news on cotton. It develops standards for grade and length of staple and classes and supervises the classing of cotton in accordance with the standards. It carries on research to facilitate the marketing of and to find new uses for cotton.

PMA has seven functional branches, that is, branches that handle activities common to all commodities.

The Agricultural Conservation Programs Branch develops, on the basis of State recommendations, plans for conserving soil and water resources through such practices as plowing on the contour, building dams and sod waterways, planting windbreaks, seeding of cover crops, controlling grazing, and applying necessary fertilizers and minerals. The Branch also administers payments and assists in furnishing conservation materials to farmers carrying out approved conservation practices.

The Shipping and Storage Branch is responsible for shipping, storing, and delivering commodities under price-support, section 32, national school lunch, and other domestic and foreign programs. It also maintains liaison with shippers and other Federal agencies on transportation and warehousing matters.

The Marketing Facilities Branch seeks to obtain fair freight rates for farm products through informal negotiations with carriers and through formal representations before regulatory agencies; conducts research to improve marketing facilities; administers the United States Warehouse Act; and inspects warehouses in which Government-owned agricultural commodities and foods are stored.

The Food Distribution Programs Branch plans and directs activities under the national school lunch program; conducts a marketing abundant foods program, to stimulate distribution of food through

normal marketing channels; handles the direct distribution of surplus foods to the needy, when necessary; and promotes food preservation programs.

The Marketing Research Branch conducts research to improve transportation methods, packing and packaging, distribution practices, market news reporting, standards and grades, and other phases of marketing.

The Price Support and Foreign Supply Branch coordinates the development of price support and related CCC programs by commodity and functional branches; and maintains liaison with, and procurement coordination for, other Government agencies and foreign claimants on international food supply programs.

The Fiscal Branch formulates fiscal procedures, maintains control accounts and records on PMA and CCC programs, and issues fiscal reports on PMA and CCC financial operations.

PMA has four staff branches.

The Budget and Management Branch is responsible for budgetary procedure, administrative management, organization, personnel, and administrative-service functions. The Audit Branch examines books and records of PMA, its agents, and others financed with PMA funds. The Compliance and Investigation Branch investigates criminal activities and other irregularities involving PMA programs. The Information Branch issues factual information on programs of PMA and the CCC.

PMA State and county committees are a key part of the PMA field organization. They are responsible for local administration of such national programs as agricultural conservation; production goals; adjustment—including acreage allotments and marketing quotas; price-support and related CCC operations as assigned; Sugar Act payments; and other PMA operations that require direct dealings with farmers.

There are also PMA commodity offices in a number of cities to handle various shipping and storage, fiscal, and commodity merchandising functions. In addition, each of the commodity branches, as well as most of the functional and staff branches, have field offices to facilitate program operations.

At the head of PMA is an administrator. The administrator directs the affairs of PMA through a deputy administrator, an assistant administrator for production, an assistant administrator for marketing, branch directors, and chairmen of State PMA committees.

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